

**CITY OF THOMASVILLE
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

CITY OF THOMASVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
<u>Exhibit</u>	Government-Wide Financial Statements:	
A	Statement of Net Position	13-14
B	Statement of Activities	15-16
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	17-18
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	21
G	Statement of Net Position - Proprietary Funds	22
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	23
I	Statement of Cash Flows - Proprietary Funds	24-25
	Notes to the Financial Statements	26-73
<u>Schedule</u>	Required Supplementary Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	74
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll	75

CITY OF THOMASVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplementary Financial Data (continued):	
A-3	Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios	76
A-4	Local Government Employees' Retirement System - City of Thomasville's Proportionate Share of Net Pension Liability (Asset)	77
A-5	Local Government Employees' Retirement System - City of Thomasville's Contributions	78
	Supplementary Information:	
	General Fund:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79-83
	General Capital Projects Fund:	
2	Schedule of Revenues and Expenditures - Budget and Actual	84
	Nonmajor Governmental Funds:	
3	Combining Balance Sheet	85-86
4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	87-88
	City School Supplement Fund:	
5	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
	Police Restitution and Forfeitures Fund:	
6	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
	Stormwater Fund:	
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
	Cemetery Fund:	
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92

CITY OF THOMASVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplementary Information (continued):	
	Beautification Fund:	
9	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
	Public Safety Grant Fund:	
10	Schedule of Revenues and Expenditures - Budget and Actual	94
	Community Development Block Grant Fund:	
11	Schedule of Revenues and Expenditures - Budget and Actual	95
	Water and Sewer Fund:	
12	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	96-98
	Water and Sewer Capital Projects Fund:	
13	Combined Revenue Bonds and State Revolving Loan - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	99
	Water and Sewer Capital Reserve Fund:	
14	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	100
	Golf Course Enterprise Fund:	
15	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	101-102
	Other Supplemental Schedules:	
16	Schedule of Ad Valorem Taxes Receivable - General Fund	103
17	Analysis of Current Tax Levy - General Fund	104
18	Schedule of Ad Valorem Taxes Receivable - City School Fund	105

CITY OF THOMASVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Other Supplemental Schedules (continued):	
19	Analysis of Current Tax Levy - City School Fund	106
20	Property Valuation and Levy of Top Ten Companies	107
	Compliance Section:	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	108-109
	Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With The Uniform Guidance And The State Single Audit Implementation Act	110-111
	Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With The Uniform Guidance And The State Single Audit Implementation Act	112-113
	Schedule of Findings and Questioned Costs	114-115
	Schedule of Prior Year Audit Findings	116
	Schedule of Expenditures of Federal and State Awards	117

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Thomasville, North Carolina

Report On the Financial Statements

We have audited the accompanying 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 City of Thomasville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Thomasville Board of Education, which represents 89.64 percent, 109.87 percent, and 88.63 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Thomasville ABC Board, which represents 9.45 percent, (8.91) percent, and 10.88 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and; our opinion, insofar as it relates to the amounts included for the Thomasville Board of Education and the Thomasville ABC Board, are based solely on the reports of the other auditors. 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 basic financial statements are free from material misstatement. The financial statements of the City of Thomasville ABC Board and Thomasville Tourism Commission 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thomasville, North Carolina, 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, the Law Enforcement Officers' Special Separation Allowance Schedule of the Change in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Thomasville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are 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 reports of the 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 November 22, 2019 on our consideration of City of Thomasville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant, agreements, and other matters. The purpose of the report is solely 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 the effectiveness of the City of Thomasville's 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 City of Thomasville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2019

This page left blank intentionally.

Management's Discussion and Analysis

As management of the City of Thomasville, we offer readers of the City of Thomasville's financial statements this narrative overview and analysis of the financial activities of the City of Thomasville 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 City's financial statements, which follow this narrative.

Financial Highlights

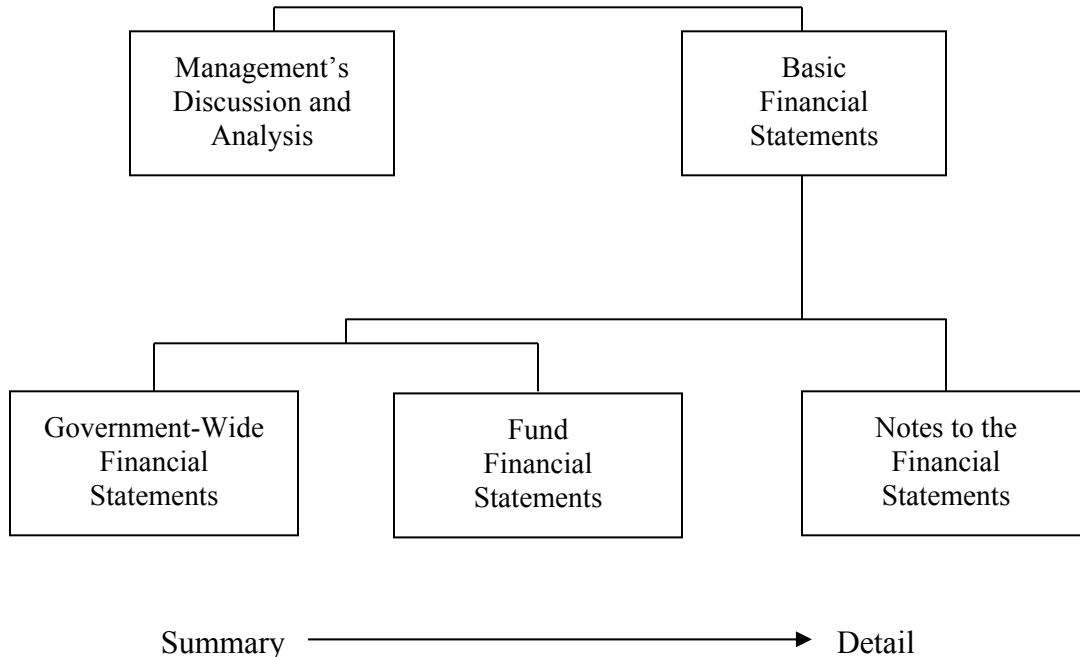
- The assets and deferred outflows of the City of Thomasville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,960,542 (net position).
- The government's total net position increased by \$1,385,592 due to increases in governmental and business-type activities.
- As of the close of the current fiscal year, the City of Thomasville's governmental funds reported combined ending fund balances of \$23,582,041, an increase of \$9,933,382 in comparison with the prior year. Currently, 100% of this total amount, or \$23,591,978, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$9,177,058, or 39.60%, of total General Fund expenditures and transfers to other funds.
- Water and Sewer Fund current assets increased 14.75%. At June 30, 2019, current assets exceeded current liabilities for the ninth consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City'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 City's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and golf services offered by the City of Thomasville. The final category is the component units. Although legally separate from the City, the City School Board, ABC Board, and Tourism Commission are important to the City because the City exercises control over the School Board, ABC Board, and Tourism Commission by appointing its members and setting the local tax rate for the School Board and Tourism Commission. The ABC Board is required to distribute its profits to the City.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City'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 City of Thomasville, 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 City's budget ordinance. All of the funds of the City of Thomasville 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 City'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 City'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 City of Thomasville 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. The City of Thomasville 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 City of Thomasville uses enterprise funds to account for its water and sewer activity and for its golf operations. 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 26-73 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Thomasville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City 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 governments and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis
City of Thomasville's Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 26,763,774	\$ 15,618,046	\$ 11,549,310	\$ 10,008,983	\$ 38,313,084	\$ 25,627,029
Capital assets	15,288,642	11,902,114	42,862,705	44,937,250	58,151,347	56,839,364
Total assets	<u>42,052,416</u>	<u>27,520,160</u>	<u>54,412,015</u>	<u>54,946,233</u>	<u>96,464,431</u>	<u>82,466,393</u>
Deferred Outflows of Resources:						
OPEB deferrals	1,447,384	188,613	317,718	41,965	1,765,102	230,578
Pension deferrals	<u>3,248,542</u>	<u>2,123,100</u>	<u>638,180</u>	<u>400,267</u>	<u>3,886,722</u>	<u>2,523,367</u>
Total deferred outflows of resources	<u>4,695,926</u>	<u>2,311,713</u>	<u>955,898</u>	<u>442,232</u>	<u>5,651,824</u>	<u>2,753,945</u>
Liabilities:						
Long-term liabilities	29,059,503	13,879,763	34,784,341	35,528,983	63,843,844	49,408,746
Other liabilities	<u>3,816,740</u>	<u>2,119,233</u>	<u>3,954,058</u>	<u>4,293,425</u>	<u>7,770,798</u>	<u>6,412,658</u>
Total liabilities	<u>32,876,243</u>	<u>15,998,996</u>	<u>38,738,399</u>	<u>39,822,408</u>	<u>71,614,642</u>	<u>55,821,404</u>
Deferred Inflows of Resources:						
OPEB deferrals	294,465	340,079	64,639	75,666	359,104	415,745
Pension deferrals	170,396	199,567	11,571	33,672	181,967	233,239
Advances from grantor	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total deferred inflows of resources	<u>464,861</u>	<u>714,646</u>	<u>76,210</u>	<u>109,338</u>	<u>541,071</u>	<u>823,984</u>
Net Position:						
Net investment in capital assets	9,703,650	8,678,095	7,598,552	7,973,578	17,302,202	16,651,673
Restricted	13,270,173	3,693,991	-	-	13,270,173	3,693,991
Unrestricted	<u>(9,566,585)</u>	<u>746,145</u>	<u>8,954,752</u>	<u>7,483,141</u>	<u>(611,833)</u>	<u>8,229,286</u>
Total net position	<u>\$ 13,407,238</u>	<u>\$ 13,118,231</u>	<u>\$ 16,553,304</u>	<u>\$ 15,456,719</u>	<u>\$ 29,960,542</u>	<u>\$ 28,574,950</u>

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 City of Thomasville exceeded its liabilities and deferred inflows of resources by \$29,960,542 as of June 30, 2019. The City's net position increased by \$1,385,592 for the fiscal year ended June 30, 2019. However, (58%) reflects the City's net 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 City of Thomasville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 City of Thomasville's net position (44%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(611,833) is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental and business-type net position:

- General Fund expenditures were 13.2% under budgetary estimates.
- Water and sewer expenses were 21.3% under budgetary estimates.

City of Thomasville's Changes in Net Position

Figure 3

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,653,256	\$ 13,414,777	\$ 15,068,033	\$ 1,786,290	\$ 12,546,605	\$ 14,332,895
Operating grants and contributions	1,542,035	-	1,542,035	1,017,231	-	1,017,231
Capital grants and contributions	321,145	-	321,145	244,600	-	244,600
General revenues:						
Property taxes	12,772,444	-	12,772,444	12,339,105	-	12,339,105
Other taxes	7,151,633	-	7,151,633	6,550,456	-	6,550,456
Miscellaneous	2,432,345	(102,485)	2,329,860	1,962,599	48,707	2,011,306
Total revenues	<u>25,872,858</u>	<u>13,312,292</u>	<u>39,185,150</u>	<u>23,900,281</u>	<u>12,595,312</u>	<u>36,495,593</u>
Expenses:						
General government	4,259,863	-	4,259,863	3,821,504	-	3,821,504
Public works	5,385,986	-	5,385,986	5,220,359	-	5,220,359
Public safety	13,336,681	-	13,336,681	12,752,411	-	12,752,411
Economic and physical development	716,152	-	716,152	307,301	-	307,301
Culture and recreation	1,230,234	-	1,230,234	1,210,496	-	1,210,496
Interest on long-term debt	360,359	-	360,359	41,698	-	41,698
Water and sewer	-	11,560,752	11,560,752	-	11,173,732	11,173,732
Golf course	-	949,531	949,531	-	1,036,167	1,036,167
Total expenses	<u>25,289,275</u>	<u>12,510,283</u>	<u>37,799,558</u>	<u>23,353,769</u>	<u>12,209,899</u>	<u>35,563,668</u>
Change in net position before transfers	583,583	802,009	1,385,592	546,512	385,413	931,925
Transfers in (out)	<u>(294,576)</u>	<u>294,576</u>	<u>-</u>	<u>(294,576)</u>	<u>294,576</u>	<u>-</u>
Change in net position	<u>289,007</u>	<u>1,096,585</u>	<u>1,385,592</u>	<u>251,936</u>	<u>679,989</u>	<u>931,925</u>
Net Position:						
Beginning of year - July 1	13,118,231	15,456,719	28,574,950	17,163,882	15,750,796	32,914,678
Restatement	-	-	-	(4,297,587)	(974,066)	(5,271,653)
July 1 (restated)	<u>13,118,231</u>	<u>15,456,719</u>	<u>28,574,950</u>	<u>12,866,295</u>	<u>14,776,730</u>	<u>27,643,025</u>
End of year - June 30	<u>\$ 13,407,238</u>	<u>\$ 16,553,304</u>	<u>\$ 29,960,542</u>	<u>\$ 13,118,231</u>	<u>\$ 15,456,719</u>	<u>\$ 28,574,950</u>

Governmental Activities. Governmental activities increased the City's net position by \$289,007. Key elements of this increase are as follows:

- Property tax collections were \$157,607 over budget estimates.
- General government expenditures were \$276,819 (12.12%) under budgetary estimates.
- Public safety expenditures were \$2,175,195 (15.22%) under budgetary estimates.
- Public works expenditures were \$571,546 (9.92%) under budgetary estimates.

Business-Type Activities. Business-type activities increased the City of Thomasville's net position by \$1,096,585. Key elements of this increase are as follows:

- The City raised water and sewer rates 1.23% as per their 5-year rate study.
- Maintenance and construction expenses were \$1,941,378 (47.72%) under budgetary estimates.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Thomasville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Thomasville's financing requirements. Specifically, available for appropriation 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 City of Thomasville. At the end of the current fiscal year, the City of Thomasville's fund balance available in the General Fund was \$9,177,058, while total fund balance reached \$13,797,862. The governing body of the City of Thomasville has determined that the City should maintain an unassigned fund balance of 24.0% of General Fund expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 39.60% of General Fund expenditures and transfers to other funds, while total fund balance represents 59.55% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. The City increased the General Fund budget by \$394,876.

Proprietary Funds. The City of Thomasville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$9,551,921. The total changes in net position for the Water and Sewer Fund were \$1,193,188. Unrestricted net position of the Golf Course Fund at the end of the fiscal year amounted to \$(597,169). Total changes in net position for the Golf Course Fund were \$(96,603). Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Thomasville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Thomasville's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$58,151,347 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Additional information on the City's capital assets can be found beginning on page 40 of this report.

City of Thomasville's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2019	2019	2019	2018	2018	2018
Land	\$ 1,965,493	\$ 662,153	\$ 2,627,646	\$ 1,965,493	\$ 662,153	\$ 2,627,646
Buildings	2,733,559	321,823	3,055,382	2,866,996	433,784	3,300,780
Other improvements	1,498,306	18,670,893	20,169,199	1,451,445	20,469,866	21,921,311
Infrastructure	674,706	18,567,382	19,242,088	765,985	19,707,223	20,473,208
Equipment and vehicles	3,971,691	1,239,026	5,210,717	4,729,150	1,386,610	6,115,760
Construction in progress	4,444,887	3,401,428	7,846,315	123,045	2,277,614	2,400,659
Total	<u>\$ 15,288,642</u>	<u>\$ 42,862,705</u>	<u>\$ 58,151,347</u>	<u>\$ 11,902,114</u>	<u>\$ 44,937,250</u>	<u>\$ 56,839,364</u>

Long-Term Debt. As of June 30, 2019, the City of Thomasville had total bonded debt outstanding of \$20,032,376. Of this, \$-0- is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Thomasville's Outstanding Debt Bonds

Figure 5

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Limited obligation bonds	\$ 11,100,000	\$ -	\$ -	\$ -
Add premiums	828,724	-	-	-
Total	<u>\$ 11,928,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue bonds	\$ -	\$ -	\$ 7,581,667	\$ 8,705,000
Add premiums	-	-	524,610	581,801
Less discounts	-	-	(2,625)	(3,936)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,103,652</u>	<u>\$ 9,282,865</u>

The City of Thomasville's total bonded debt increased by \$10,749,511 during the past fiscal year, primarily due to the issuance of new debt.

The City's Moody's Investor Service Rating remained at Aa3 in the current fiscal year. The City maintained an A+ rating from Standard and Poor's Corporation.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Thomasville is approximately \$96,000,000. The City has \$-0- in bonds authorized but unissued as June 30, 2019.

Additional information regarding the City of Thomasville's long-term debt can be found beginning on page 57 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- Unemployment in the State of North Carolina was 4.2% as of June 30, 2019, and Davidson County's rate of unemployment was 4.2%. The state unemployment rate has remained the same as of June 30, 2018, and Davidson County's rate has increased from 3.9% a year ago.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. Construction of a new police headquarters following issuance of limited obligation bonds. Delivery of a \$1,070,000 fire ladder truck is anticipated in the fourth quarter of the fiscal year.

Business-Type Activities. The water and sewer rates in the City will increase by 1.25% as projected in the rate study, which was updated in May, 2017.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Director of Finance, City of Thomasville, P.O. Box 368, Thomasville, North Carolina 27361.

This page left blank intentionally.

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 12,124,913	\$ 8,558,707	\$ 20,683,620
Restricted cash	10,338,518	486,400	10,824,918
Receivables:			
Accounts receivable, net	3,921,713	2,104,062	6,025,775
Net OPEB asset	-	-	-
Due from other governments	-	-	-
Due from primary government	-	-	-
Due from component units	32,422	-	32,422
Internal balances	261,661	(261,661)	-
Inventories	84,547	300,992	385,539
Investment in joint venture	-	360,810	360,810
Prepaid items	-	-	-
Total current assets	26,763,774	11,549,310	38,313,084
Capital assets:			
Land and construction in progress	6,410,380	4,063,581	10,473,961
Other capital assets, net of depreciation	8,878,262	38,799,124	47,677,386
Total capital assets	15,288,642	42,862,705	58,151,347
Total non-current assets	15,288,642	42,862,705	58,151,347
Total assets	42,052,416	54,412,015	96,464,431
Deferred Outflows of Resources:			
OPEB deferrals	1,447,384	317,718	1,765,102
Pension deferrals	3,248,542	638,180	3,886,722
Total deferred outflows of resources	4,695,926	955,898	5,651,824
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	2,033,546	125,230	2,158,776
Accrued interest payable	-	131,322	131,322
Due to primary government	-	-	-
Due to other government	-	-	-
Due to component units	42,774	-	42,774
Prepaid fees	-	49,200	49,200
Current portion of long-term liabilities	1,711,603	3,267,463	4,979,066
Liabilities to be paid from restricted assets:			
Customer deposits	28,817	380,843	409,660
Total current liabilities	3,816,740	3,954,058	7,770,798
Long-term liabilities:			
Net pension liability	3,788,612	795,226	4,583,838
Total pension liability (LEOSSA)	2,282,150	-	2,282,150
Total OPEB liability	7,667,981	1,700,979	9,368,960
Net OPEB liability	-	-	-
Due in more than one year	15,320,760	32,288,136	47,608,896
Total long-term liabilities	29,059,503	34,784,341	63,843,844
Total liabilities	32,876,243	38,738,399	71,614,642
Deferred Inflows of Resources:			
OPEB deferrals	294,465	64,639	359,104
Pension deferrals	170,396	11,571	181,967
Advances from grantor	-	-	-
Total deferred inflows of resources	464,861	76,210	541,071
Net Position:			
Net investment in capital assets	9,703,650	7,598,552	17,302,202
Restricted for:			
Stabilization by state statute	13,052,480	-	13,052,480
Streets	72,443	-	72,443
Solid waste	23,789	-	23,789
Public safety	121,461	-	121,461
Other purposes	-	-	-
Unrestricted	(9,566,585)	8,954,752	(611,833)
Total net position	\$ 13,407,238	\$ 16,553,304	\$ 29,960,542

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Component Units		
	Thomasville Board of Education	Alcoholic Beverage Control Board	Thomasville Tourism Commission
Assets:			
Current assets:			
Cash and cash equivalents	\$ 531,674	\$ 390,264	\$ 164,657
Restricted cash	-	-	-
Receivables:			
Accounts receivable, net	122,978	470	-
Net OPEB asset	28,213	-	-
Due from other governments	853,354	-	-
Due from primary government	-	-	42,774
Due from component units	-	-	-
Internal balances	-	-	-
Inventories	116,480	259,363	-
Investment in joint venture	-	-	-
Prepaid items	53,814	10,705	2,225
Total current assets	<u>1,706,513</u>	<u>660,802</u>	<u>209,656</u>
Capital assets:			
Land and construction in progress	552,595	405,801	-
Other capital assets, net of depreciation	18,267,437	1,097,077	-
Total capital assets	<u>18,820,032</u>	<u>1,502,878</u>	<u>-</u>
Total non-current assets	<u>18,820,032</u>	<u>1,502,878</u>	<u>-</u>
Total assets	<u>20,526,545</u>	<u>2,163,680</u>	<u>209,656</u>
Deferred Outflows of Resources:			
OPEB deferrals	3,019,108	-	-
Pension deferrals	5,809,602	60,648	-
Total deferred outflows of resources	<u>8,828,710</u>	<u>60,648</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	850,474	171,686	1,631
Accrued interest payable	-	-	-
Due to primary government	-	32,422	-
Due to other government	-	-	-
Due to component units	-	-	-
Prepaid fees	-	-	-
Current portion of long-term liabilities	858,247	35,072	-
Liabilities to be paid from restricted assets:			
Customer deposits	-	-	-
Total current liabilities	<u>1,708,721</u>	<u>239,180</u>	<u>1,631</u>
Long-term liabilities:			
Net pension liability	9,959,560	59,071	-
Total pension liability (LEOSSA)	-	-	-
Total OPEB liability	-	-	-
Net OPEB liability	25,213,126	-	-
Due in more than one year	2,754,500	-	-
Total long-term liabilities	<u>37,927,186</u>	<u>59,071</u>	<u>-</u>
Total liabilities	<u>39,635,907</u>	<u>298,251</u>	<u>1,631</u>
Deferred Inflows of Resources:			
OPEB deferrals	13,270,110	-	-
Pension deferrals	165,290	1,552	-
Advances from grantor	25,622	-	-
Total deferred inflows of resources	<u>13,461,022</u>	<u>1,552</u>	<u>-</u>
Net Position:			
Net investment in capital assets	18,820,032	1,467,806	-
Restricted for:			
Stabilization by state statute	323,504	-	42,774
Streets	-	-	-
Solid waste	-	-	-
Public safety	-	-	-
Other purposes	185,312	101,528	165,251
Unrestricted	(43,070,522)	355,191	-
Total net position	<u>\$ (23,741,674)</u>	<u>\$ 1,924,525</u>	<u>\$ 208,025</u>

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

This page left blank intentionally.

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,259,863	\$ 128,579	\$ 22,638	\$ -
Public works	5,385,986	958,508	689,631	-
Public safety	13,336,681	239,378	261,224	146,145
Economic and physical development	716,152	-	525,000	175,000
Cultural and recreation	1,230,234	326,791	43,542	-
Debt service:				
Interest and fiscal charges	360,359	-	-	-
Total governmental activities	25,289,275	1,653,256	1,542,035	321,145
Business-Type Activities:				
Water and sewer	11,560,752	12,856,425	-	-
Golf course	949,531	558,352	-	-
Total business-type activities	12,510,283	13,414,777	-	-
Total primary government	\$ 37,799,558	\$ 15,068,033	\$ 1,542,035	\$ 321,145
Component Units:				
Thomasville Board of Education	\$ 29,417,994	\$ 670,039	\$ 21,470,860	\$ 6,544
Alcoholic Beverage Control Board	3,237,386	3,478,429	-	-
Thomasville Tourism Commission	157,296	-	-	-
Total component units	\$ 32,812,676	\$ 4,148,468	\$ 21,470,860	\$ 6,544

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Thomasville Board of Education	Alcoholic Beverage Control Board	Thomasville Tourism Commission
Primary Government:						
Governmental Activities:						
General government	\$ (4,108,646)	\$ -	\$ (4,108,646)			
Public works	(3,737,847)	-	(3,737,847)			
Public safety	(12,689,934)	-	(12,689,934)			
Economic and physical development	(16,152)	-	(16,152)			
Cultural and recreation	(859,901)	-	(859,901)			
Debt service:						
Interest and fiscal charges	(360,359)	-	(360,359)			
Total governmental activities	(21,772,839)	-	(21,772,839)			
Business-Type Activities:						
Water and sewer	-	1,295,673	1,295,673			
Golf course	-	(391,179)	(391,179)			
Total business-type activities	-	904,494	904,494			
Total primary government	(21,772,839)	904,494	(20,868,345)			
Component Units:						
Thomasville Board of Education				\$ (7,270,551)	\$ -	\$ -
Alcoholic Beverage Control Board				-	241,043	-
Thomasville Tourism Commission				-	-	(157,296)
Total component units				(7,270,551)	241,043	(157,296)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes	12,772,444	-	12,772,444	-	-	-
Unrestricted appropriations	1,948,348	-	1,948,348	4,485,518	-	-
Local option sales tax	6,783,166	-	6,783,166	-	-	-
Video programming tax	203,262	-	203,262	-	-	-
Solid waste disposal tax	18,950	-	18,950	-	-	-
Occupancy tax	146,255	-	146,255	-	-	142,899
Investment earnings, unrestricted	426,964	88,622	515,586	8,754	-	936
Miscellaneous	57,033	-	57,033	1,695,156	100	2,985
Loss on sale of asset	-	(191,107)	(191,107)	-	-	-
Fundraising revenue	-	-	-	-	-	8,661
Total general revenues, excluding transfers	22,356,422	(102,485)	22,253,937	6,189,428	100	155,481
Transfers	(294,576)	294,576	-	-	-	-
Total general revenues and transfers	22,061,846	192,091	22,253,937	6,189,428	100	155,481
Change in net position	289,007	1,096,585	1,385,592	(1,081,123)	241,143	(1,815)
Net Position:						
Beginning of year - July 1	13,118,231	15,456,719	28,574,950	(22,660,551)	1,683,382	209,840
End of year - June 30	\$ 13,407,238	\$ 16,553,304	\$ 29,960,542	\$ (23,741,674)	\$ 1,924,525	\$ 208,025

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

CITY OF THOMASVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 9,909,107	\$ 834,590	\$ 1,381,216	\$ 12,124,913
Restricted cash	1,448,144	8,886,029	4,345	10,338,518
Taxes receivable, net	608,056	-	150,271	758,327
Accounts receivable, net	528,948	56,033	15,843	600,824
Due from other funds	261,661	-	28,889	290,550
Due from other governments	2,562,562	-	-	2,562,562
Due from component units	32,422	-	-	32,422
Inventories	84,547	-	-	84,547
Total assets	<u>\$ 15,435,447</u>	<u>\$ 9,776,652</u>	<u>\$ 1,580,564</u>	<u>\$ 26,792,663</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 643,251	\$ 1,375,790	\$ 42,631	\$ 2,061,672
Liabilities to be paid from restricted assets:				
Deposits	24,472	-	4,345	28,817
Due to other funds	28,889	-	-	28,889
Due to component units	14,648	-	-	14,648
Total liabilities	<u>711,260</u>	<u>1,375,790</u>	<u>46,976</u>	<u>2,134,026</u>
Deferred Inflows of Resources:				
Taxes receivable	608,056	-	150,271	758,327
Miscellaneous receivables	318,269	-	-	318,269
Total deferred inflows of resources	<u>926,325</u>	<u>-</u>	<u>150,271</u>	<u>1,076,596</u>
Fund Balances:				
Non-spendable:				
Inventories	84,547	-	-	84,547
Restricted:				
Stabilization by state statute	4,536,257	8,450,036	66,187	13,052,480
Restricted, all other	1,447,461	8,886,029	121,461	10,454,951
Committed for public safety	490,526	-	-	490,526
Committed for culture and recreation	726,244	-	-	726,244
Committed for economic development	603,662	6,859	-	610,521
Committed for capital reserve	215,891	-	-	215,891
Assigned for general government	439,543	-	1,224,558	1,664,101
Unassigned	5,253,731	(8,942,062)	(28,889)	(3,717,220)
Total fund balances	<u>13,797,862</u>	<u>8,400,862</u>	<u>1,383,317</u>	<u>23,582,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,435,447</u>	<u>\$ 9,776,652</u>	<u>\$ 1,580,564</u>	<u>\$ 26,792,663</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>Total</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balance of governmental funds	\$ 23,582,041
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,288,642
Net pension liability - LGERS	(3,788,612)
Total pension liability	(2,282,150)
Deferred outflows of resources related to OPEB are not reported in the funds.	1,447,384
Deferred outflows of resources related to pensions are not reported in the funds.	3,248,542
Deferred inflows of resources related to OPEB are not reported in the funds.	(294,465)
Deferred inflows of resources related to pensions are not reported in the funds.	(170,396)
Liabilities for earned revenues but considered deferred inflows of resources in fund statements	1,076,596
Total OPEB liability	(7,667,981)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(17,032,363)</u>
Net position of governmental activities	<u>\$ 13,407,238</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

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

	Major Funds		Nonmajor Funds	
	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 11,301,289	\$ -	\$ 1,597,073	\$ 12,898,362
Other taxes and licenses	7,151,633	-	-	7,151,633
Unrestricted intergovernmental	1,948,348	-	-	1,948,348
Restricted intergovernmental	849,477	175,000	632,980	1,657,457
Permits and fees	209,611	-	141,723	351,334
Sales and services	1,146,985	-	-	1,146,985
Contributions	168,696	-	37,027	205,723
Investment earnings	272,621	125,154	29,189	426,964
Sales tax refund	-	56,033	-	56,033
Miscellaneous	140,710	-	1,000	141,710
Total revenues	<u>23,189,370</u>	<u>356,187</u>	<u>2,438,992</u>	<u>25,984,549</u>
Expenditures:				
Current:				
General government	2,008,075	-	1,741,062	3,749,137
Public works	4,970,940	-	-	4,970,940
Public safety	11,926,524	4,702,759	32,180	16,661,463
Economic and physical development	-	193,000	523,152	716,152
Cultural and recreation	1,149,663	-	-	1,149,663
Miscellaneous	38,511	-	-	38,511
Debt service:				
Principal	1,082,466	-	-	1,082,466
Interest and other charges	403,976	-	-	403,976
Capital outlay	536,824	-	-	536,824
Total expenditures	<u>22,116,979</u>	<u>4,895,759</u>	<u>2,296,394</u>	<u>29,309,132</u>
Revenues over (under) expenditures	<u>1,072,391</u>	<u>(4,539,572)</u>	<u>142,598</u>	<u>(3,324,583)</u>
Other Financing Sources (Uses):				
Limited obligation bonds	-	11,100,000	-	11,100,000
Bond premium	-	872,341	-	872,341
Installment financing issued	1,580,200	-	-	1,580,200
Transfers from other funds	-	700,000	60,000	760,000
Transfers to other funds	(1,054,576)	-	-	(1,054,576)
Total other financing sources (uses)	<u>525,624</u>	<u>12,672,341</u>	<u>60,000</u>	<u>13,257,965</u>
Net change in fund balances	1,598,015	8,132,769	202,598	9,933,382
Fund Balances:				
Beginning of year - July 1	<u>12,199,847</u>	<u>268,093</u>	<u>1,180,719</u>	<u>13,648,659</u>
End of year - June 30	<u>\$ 13,797,862</u>	<u>\$ 8,400,862</u>	<u>\$ 1,383,317</u>	<u>\$ 23,582,041</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

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

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 9,933,382
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	4,968,106
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,581,578)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(111,691)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position.	(13,508,924)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,082,466
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	100,078
Pension expense LGERS	(125,264)
OPEB plan expense	(406,110)
Pension expense LEO	<u>(61,458)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 289,007</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

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

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 11,143,682	\$ 11,143,682	\$ 11,301,289	\$ 157,607
Other taxes and licenses	7,278,576	7,367,541	7,151,633	(215,908)
Unrestricted intergovernmental	2,186,560	2,186,560	1,948,348	(238,212)
Restricted intergovernmental	740,532	874,517	849,477	(25,040)
Permits and fees	289,750	289,750	209,611	(80,139)
Sales and services	1,187,855	1,187,855	1,146,985	(40,870)
Contributions	185,799	214,579	168,696	(45,883)
Investment earnings	82,000	130,000	272,621	142,621
Miscellaneous	176,800	271,946	140,710	(131,236)
Total revenues	<u>23,271,554</u>	<u>23,666,430</u>	<u>23,189,370</u>	<u>(477,060)</u>
Expenditures:				
Current:				
General government	2,173,381	2,284,894	2,008,075	276,819
Public works	5,548,305	5,762,527	5,190,981	571,546
Public safety	14,046,462	14,289,593	12,114,398	2,175,195
Cultural and recreation	1,190,387	1,461,206	1,278,572	182,634
Miscellaneous	347,031	175,172	38,511	136,661
Debt service:				
Principal	1,112,493	1,095,493	1,082,466	13,027
Interest and other changes	74,993	411,711	403,976	7,735
Total expenditures	<u>24,493,052</u>	<u>25,480,596</u>	<u>22,116,979</u>	<u>3,363,617</u>
Revenues over (under) expenditures	<u>(1,221,498)</u>	<u>(1,814,166)</u>	<u>1,072,391</u>	<u>2,886,557</u>
Other Financing Sources (Uses):				
Installment financing issued	1,614,000	1,614,000	1,580,200	(33,800)
Transfers to other funds	(852,698)	(1,552,698)	(1,054,576)	498,122
Appropriated fund balance	460,196	1,752,864	-	(1,752,864)
Total other financing sources (uses)	<u>1,221,498</u>	<u>1,814,166</u>	<u>525,624</u>	<u>(1,288,542)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,598,015	<u>\$ 1,598,015</u>
Fund Balance:				
Beginning of year - July 1			<u>12,199,847</u>	
End of year - June 30			\$ 13,797,862	

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Major		
	Water and Sewer Fund	Golf Course Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 8,558,707	\$ -	\$ 8,558,707
Restricted cash and investments	457,886	28,514	486,400
Accounts receivable, net - billed	1,441,090	8,742	1,449,832
Accounts receivable, net - unbilled	654,230	-	654,230
Inventories	300,992	-	300,992
Investment in joint venture	360,810	-	360,810
Total current assets	11,773,715	37,256	11,810,971
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	3,564,096	499,485	4,063,581
Other capital assets, net of depreciation	38,553,482	245,642	38,799,124
Total capital assets, net	42,117,578	745,127	42,862,705
Total non-current assets	42,117,578	745,127	42,862,705
Total assets	53,891,293	782,383	54,673,676
Deferred Outflows of Resources:			
OPEB deferrals	264,765	52,953	317,718
Pension deferrals	527,893	110,287	638,180
Total deferred outflows of resources	792,658	163,240	955,898
Liabilities, Deferred Inflows of Resources, and Net Position:			
Liabilities:			
Current liabilities:			
Due to other funds	-	261,661	261,661
Accounts payable and accrued liabilities	81,151	44,079	125,230
Prepaid fees	41,602	7,598	49,200
Accrued interest payable	130,805	517	131,322
Compensated absences, current	93,778	10,771	104,549
Current portion of long-term debt	3,096,588	66,326	3,162,914
Liabilities to be paid from restricted assets:			
Customer deposits	380,475	368	380,843
Total current liabilities	3,824,399	391,320	4,215,719
Non-current liabilities:			
Net pension liability- LGERS	657,710	137,516	795,226
Compensated absences	61,150	20,188	81,338
Non-current portion of long-term debt	32,106,803	99,995	32,206,798
Other post-employment benefits obligation	1,427,192	273,787	1,700,979
Total non-current liabilities	34,252,855	531,486	34,784,341
Total liabilities	38,077,254	922,806	39,000,060
Deferred Inflows of Resources:			
OPEB deferrals	53,866	10,773	64,639
Pension deferrals	9,312	2,259	11,571
Total deferred inflows of resources	63,178	13,032	76,210
Net Position:			
Net investment in capital assets	6,991,598	606,954	7,598,552
Unrestricted	9,551,921	(597,169)	8,954,752
Total net position	\$ 16,543,519	\$ 9,785	\$ 16,553,304

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

CITY OF THOMASVILLE, NORTH CAROLINA

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

	Major		
	Water and Sewer Fund	Golf Course Fund	Total
Operating Revenues:			
Charges for sales and services	\$ 12,051,007	\$ 558,352	\$ 12,609,359
Connection fees	247,382	-	247,382
Other operating revenues	558,036	-	558,036
Total operating revenues	<u>12,856,425</u>	<u>558,352</u>	<u>13,414,777</u>
Operating Expenses:			
Administration	149,188	-	149,188
Billing and collection	711,182	-	711,182
Meter service	244,323	-	244,323
Water treatment plant	1,456,482	-	1,456,482
Construction and maintenance	2,000,140	-	2,000,140
Waste treatment plant	2,448,800	-	2,448,800
Non-capitalized project expenditures	139,859	-	139,859
Golf course clubhouse	-	250,361	250,361
Golf course maintenance	-	524,012	524,012
Depreciation and amortization	<u>3,513,050</u>	<u>173,017</u>	<u>3,686,067</u>
Total operating expenses	<u>10,663,024</u>	<u>947,390</u>	<u>11,610,414</u>
Operating income (loss)	<u>2,193,401</u>	<u>(389,038)</u>	<u>1,804,363</u>
Non-Operating Revenues (Expenses):			
Investment earnings	88,622	-	88,622
Interest and other charges	(877,483)	(2,917)	(880,400)
Gain (loss) on sale of capital assets	(191,107)	-	(191,107)
Miscellaneous revenue	9,757	776	10,533
Contribution to Reservoir Recreation Joint Venture	<u>(30,002)</u>	<u>-</u>	<u>(30,002)</u>
Total non-operating revenues (expenses)	<u>(1,000,213)</u>	<u>(2,141)</u>	<u>(1,002,354)</u>
Income (loss) before transfers	1,193,188	(391,179)	802,009
Transfers from other funds	<u>-</u>	<u>294,576</u>	<u>294,576</u>
Change in net position	1,193,188	(96,603)	1,096,585
Net Position:			
Beginning of year - July 1	<u>15,350,331</u>	<u>106,388</u>	<u>15,456,719</u>
End of year - June 30	<u>\$ 16,543,519</u>	<u>\$ 9,785</u>	<u>\$ 16,553,304</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Major		
	Water and Sewer Fund	Golf Course Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 12,655,392	\$ 559,326	\$ 13,214,718
Cash paid for goods and services	(4,396,929)	(237,036)	(4,633,965)
Cash paid to employees for services	(2,733,540)	(491,106)	(3,224,646)
Customer deposits received (paid)	5,697	-	5,697
Net cash provided (used) by operating activities	5,530,620	(168,816)	5,361,804
Cash Flows from Non-Capital Financing Activities:			
Contribution to Reservoir Recreation Joint Venture	(30,002)	-	(30,002)
Miscellaneous non-operating revenue	9,757	776	10,533
Due to (from) other funds	-	1,224	1,224
Transfers (to) from other funds	-	294,576	294,576
Net cash provided (used) by non-capital financing activities	(20,245)	296,576	276,331
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,818,122)	(40,389)	(1,858,511)
Principal payments on long-term debt	(3,213,861)	(111,188)	(3,325,049)
Interest expense	(873,486)	(2,917)	(876,403)
Proceeds from issuance of debt	1,659,208	54,880	1,714,088
Net cash provided (used) by capital and related financing activities	(4,246,261)	(99,614)	(4,345,875)
Cash Flows from Investing Activities:			
Interest and dividends	84,625	-	84,625
Net cash provided (used) by investing activities	84,625	-	84,625
Net increase (decrease) in cash and cash equivalents	1,348,739	28,146	1,376,885
Cash and Equivalents:			
Beginning of year - July 1	7,667,854	368	7,668,222
End of year - June 30	\$ 9,016,593	\$ 28,514	\$ 9,045,107

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

CITY OF THOMASVILLE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Major		
	Water and Sewer Fund	Golf Course Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,193,401	\$ (389,038)	\$ 1,804,363
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,513,050	173,017	3,686,067
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(133,924)	178	(133,746)
(Increase) decrease in inventories	(47,998)	-	(47,998)
Increase (decrease) in net pension liability	239,594	47,919	287,513
Increase (decrease) in deferred inflows of resources for pensions	(18,417)	(3,684)	(22,101)
(Increase) decrease in deferred outflows of resources for pensions	(198,262)	(39,652)	(237,914)
(Increase) decrease in joint venture	21,212	-	21,212
Increase (decrease) in accounts payable and accrued liabilities	(97,224)	18,791	(78,433)
(Increase) decrease in deferred outflows of resources for OPEB	(229,487)	(46,266)	(275,753)
Increase (decrease) in deferred inflows of resources for OPEB	(9,743)	(1,284)	(11,027)
Increase (decrease) in deferred inflows	-	796	796
Increase (decrease) in compensated absences payable	(20,175)	7,827	(12,348)
Increase (decrease) in other post-employment benefits	312,895	62,580	375,475
Increase (decrease) in customer deposits	5,698	-	5,698
Net cash provided (used) by operating activities	<u>\$ 5,530,620</u>	<u>\$ (168,816)</u>	<u>\$ 5,361,804</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the City of Thomasville (the “City”) and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation, which is governed by an elected Mayor and a seven-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The discretely presented component units presented below are reported jointly in a separate column in the City’s financial statements in order to emphasize that they are legally separate from the City.

Thomasville Board of Education

The members of the Thomasville Board of Education (the “Board of Education”) are appointed by the City Council. In addition, the City sets the rate of and levies the school supplement tax remitted to the Board of Education annually. The Thomasville Board of Education, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Thomasville Board of Education may be obtained from the entity’s administrative offices at 400 Turner Street, Thomasville, North Carolina 27360.

Thomasville Alcoholic Beverage Control (ABC) Board

The members of the governing body of the Thomasville ABC Board (the “ABC Board”) are appointed by the City Council. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the City. 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 Thomasville Alcoholic Beverage Control (ABC) Board may be obtained from the entity’s administrative office at 1414 National Highway, Thomasville, North Carolina 27360.

Thomasville Tourism Commission

The members of the governing board of the Thomasville Tourism Commission (the “Commission”) are appointed by the City Council. In addition, the City collects an occupancy tax, remitting 95% of such taxes collected to the Commission, SL 1993-453. The Commission, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Commission may be obtained from the entity’s administrative office at 44 West Main Street, Thomasville, North Carolina 27360.

Thomasville Public Facilities Corporation

This legally separate non-profit corporation assists the City in obtaining long-term financing (i.e., certificates of participation). Once obtained, the debt and any related assets are transferred to the City. As such, no assets or liabilities of the corporation existed at June 30, 2019.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and 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 City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

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

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services.

General Capital Projects Fund. The General Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City reports the following major enterprise funds:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations. The primary revenue source is charges to water and sewer customers on a monthly basis. The primary expenses are water treatment, sewer treatment, distribution and collection lines, and administration.

Golf Course Fund. The Golf Course Fund is used to account for the operation of the City municipal golf course.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. 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 City's enterprise funds are charges to customers for sales and services. The City 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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Thomasville because the tax is levied by Davidson and Randolph Counties and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

On-behalf payments made by the state to the Fireman's and Rescue Squad Workers' Pension Plan for employees of the City are recognized as revenues and expenditures during the period in which the state makes the contributions to the Plan. Also, the state's contributions to the Fireman's Relief Fund, which have been spent by the local board of trustees for various salary supplements and stipends for employees, have been recognized as revenues and expenditures during the period in which those payments were received.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds (city school supplement, police restitution and forfeitures, stormwater, cemetery, and beautification), and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all other special revenue funds, the capital projects funds, and the Enterprise Capital Project Fund, which are consolidated with the operating funds for reporting purposes.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several 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. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

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

Deposits and Investments

All deposits of the City are made in Board-designated official depositories and are secured or required by state law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT").

The City's and the ABC Board's investments are reported at fair value. The NCCMT-Government Portfolio, an SEC-registered (2a7) government money market fund, is measured at fair value. The NCCMT- Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted Cash

The unexpended bond proceeds of the General Fund, Capital Projects Fund, and the Water and Sewer Fund are classified as restricted cash because their use is completely restricted to the purpose for which the debt was originally issued. Developer deposits held by the City are restricted to the services for which the deposit was collected. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities:

General Fund:

Developer deposits	\$ 24,472
Streets	72,443
Unspent debt proceeds	1,351,229

Capital Projects Fund:

Unspent debt proceeds	8,886,029
-----------------------	-----------

Cemetery Fund:

Customer deposits	4,345
-------------------	-------

Total governmental activities	<u>10,338,518</u>
-------------------------------	-------------------

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	380,475
Unspent debt proceeds	77,411

Golf Course Fund:

Customer deposits	366
Unspent debt proceeds	28,148

Total business-type activities	<u>486,400</u>
--------------------------------	----------------

Total restricted cash	<u>\$ 10,824,918</u>
-----------------------	----------------------

Ad Valorem Taxes Receivable

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Allowance for Doubtful Accounts

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

Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out method), which approximates market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed or sold.

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

Capital Assets

Capital assets are defined by the government as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: buildings, improvements, substations, lines, and other plant and distribution systems – \$25,000; infrastructure – \$100,000; and furniture, equipment and vehicles – \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Asset Class	Estimated Useful Life
Infrastructure and buildings	10 to 50 years
Furniture, equipment, and vehicles	5 to 15 years

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension deferrals and OPEB deferrals. 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 City has several items that meet the criteria for this category –property taxes receivable, miscellaneous receivables, pension deferrals, and OPEB deferrals that result from the implementation of GASB Statement 75.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type 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, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In the 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.

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. For the City'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 on a first-in, first-out basis. The portion of time estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited amount of earned sick leave. Sick leave does not vest, but 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 City does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, the 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.

State law [G.S. 159-13 (b) (16)] restricts the appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Non-Spendable 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.

Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with state law [G.S. 159-8(a)].

Restricted for Public Works – portion of fund balance that is available for appropriation but legally segregated for a \$2.00 per ton excise tax on solid waste collected by the N.C. Department of Revenue and distributed quarterly to the City. The funds are designated to promote and fund recycling in Thomasville.

Restricted for Streets – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as restitution and forfeitures.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted fund balance at June 30, 2019 is as follows:

Purpose	General Fund	General Capital Projects Fund	Other Governmental Funds
Restricted, All Other:			
Streets	\$ 72,443	\$ -	\$ -
Public works	23,789	-	-
Public safety	1,351,229	8,886,029	121,461
Total	\$ 1,447,461	\$ 8,886,029	\$ 121,461

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$10,237,258 as of June 30, 2019.

Committed Fund Balance: This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Economic Development – represents the portion of fund balance committed by the governing body for future economic development related purposes.

Committed for Capital Reserve – represents the portion of fund balance committed by the governing body for future capital related purposes.

Committed for Public Safety – represents the portion of fund balance committed by the governing body for public safety related purposes.

Committed for Culture and Recreation – represents the portion of fund balance committed by the governing body for culture and recreation related purposes.

Assigned Fund Balance: Assigned fund balance is the portion of fund balance that the City of Thomasville intends to use for specific purposes. The City's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Assigned for General Government – portion of fund balance that has been budgeted by the Board for general governmental activities for subsequent years' expenditures, beautification, community development, and cemetery usage.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Unassigned Fund Balance: Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that can report positive unassigned Fund balance.

The City of Thomasville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The City has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 24.0% of the budgeted operating expenditures (excluding capital outlay). Any portion of the General Fund balance in excess of 24.0% of budgeted operating expenditures may be appropriated for capital items valued at \$10,000 or greater. If fund balance falls below 12.0%, no appropriation can be made from fund balance unless it is an emergency appropriation.

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	\$ 13,797,862
Less:	
Inventories	(84,547)
Stabilization by state statute	<u>(4,536,257)</u>
Total available fund balance	<u>\$ 9,177,058</u>

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

Governmental Activities:

General Fund	\$ 1,468,933
Capital Projects Fund	8,394,003
Nonmajor funds	<u>21,455</u>
Total governmental activities	<u>\$ 9,884,391</u>

Business-Type Activities:

Water and Sewer Fund	\$ 1,130,026
Golf	<u>20,194</u>
Total business-type activities	<u>\$ 1,150,220</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Thomasville's employer contributions are recognized when due and the City of Thomasville 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. Detail Notes On All Funds

A. Assets

Deposits

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

At June 30, 2019, the City's deposits had a carrying amount of \$28,366,689 and a bank balance of \$28,845,294. The City also had petty cash of \$2,100. Of the bank balance, \$1,500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Investments

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

Investment by Type	Valuation Measurement Method	Book Value as of 6/30/19	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$3,139,749	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The City has no policy regarding credit risk.

Receivables

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

	Accounts	Taxes	Due From Other Governments	Due From Component Unit	Total
Governmental Activities:					
General	\$ 528,948	\$ 1,098,056	\$ 2,562,562	\$ 32,422	\$ 4,221,988
Other governmental	71,876	330,271	-	-	402,147
Total receivables	600,824	1,428,327	2,562,562	32,422	4,624,135
Allowance for doubtful accounts	-	(670,000)	-	-	(670,000)
Total governmental activities	<u>\$ 600,824</u>	<u>\$ 758,327</u>	<u>\$ 2,562,562</u>	<u>\$ 32,422</u>	<u>\$ 3,954,135</u>
Business-Type Activities:					
Water and sewer	\$ 2,223,004	\$ -	\$ 117,316	\$ -	\$ 2,340,320
Golf course	-	-	8,742	-	8,742
Total receivables	2,223,004	-	126,058	-	2,349,062
Allowance for doubtful accounts	(245,000)	-	-	-	(245,000)
Total business-type activities	<u>\$ 1,978,004</u>	<u>\$ -</u>	<u>\$ 126,058</u>	<u>\$ -</u>	<u>\$ 2,104,062</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Amounts due from governmental agencies consist of the following:

	<u>County</u>	<u>State</u>	<u>Total</u>
Governmental Funds:			
General Fund:			
Property taxes	\$ 230,055	\$ -	\$ 230,055
Sales and use tax distribution	-	1,745,850	1,745,850
Utilities franchise and telecommunications tax	-	472,533	472,533
Sales tax refund	<u>-</u>	<u>114,124</u>	<u>114,124</u>
 Total governmental funds	 <u><u>\$ 230,055</u></u>	 <u><u>\$ 2,332,507</u></u>	 <u><u>\$ 2,562,562</u></u>
 Business-Type Funds:			
Water and Sewer Fund:			
Sales tax refund	<u>\$ -</u>	<u>\$ 117,316</u>	<u>\$ 117,316</u>
 Golf Course Fund:			
Sales tax refund	<u>-</u>	<u>8,742</u>	<u>8,742</u>
 Total business-type funds	 <u><u>\$ -</u></u>	 <u><u>\$ 126,058</u></u>	 <u><u>\$ 126,058</u></u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

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

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 1,965,493	\$ -	\$ -	\$ -	\$ 1,965,493
Construction in progress	123,045	4,468,196	-	146,354	4,444,887
Total non-depreciable capital assets	<u>2,088,538</u>	<u>4,468,196</u>	<u>-</u>	<u>146,354</u>	<u>6,410,380</u>
Depreciable Capital Assets:					
Buildings	7,076,846	-	-	-	7,076,846
Other improvements	3,922,888	76,979	-	146,354	4,146,221
Infrastructure	2,358,196	-	-	-	2,358,196
Equipment and vehicles	<u>17,106,726</u>	<u>422,931</u>	<u>238,751</u>	<u>-</u>	<u>17,290,906</u>
Total depreciable capital assets	<u>30,464,656</u>	<u>499,910</u>	<u>238,751</u>	<u>146,354</u>	<u>30,872,169</u>
Less Accumulated Depreciation:					
Buildings	4,209,850	133,437	-	-	4,343,287
Other improvements	2,471,443	176,472	-	-	2,647,915
Infrastructure	1,592,211	91,279	-	-	1,683,490
Equipment and vehicles	<u>12,377,576</u>	<u>1,180,390</u>	<u>238,751</u>	<u>-</u>	<u>13,319,215</u>
Total accumulated depreciation	<u>20,651,080</u>	<u>\$ 1,581,578</u>	<u>\$ 238,751</u>	<u>\$ -</u>	<u>21,993,907</u>
Total depreciable capital assets, net	<u>9,813,576</u>				<u>8,878,262</u>
Governmental activities capital assets, net	<u>\$ 11,902,114</u>				<u>\$ 15,288,642</u>

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

General government	\$ 63,371
Public works	513,199
Public safety	818,035
Recreation	186,973
Total	<u>\$ 1,581,578</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 162,668	\$ -	\$ -	\$ -	\$ 162,668
Construction in progress	<u>2,277,614</u>	<u>1,531,682</u>	<u>-</u>	<u>407,868</u>	<u>3,401,428</u>
Total non-depreciable capital assets	<u>2,440,282</u>	<u>1,531,682</u>	<u>-</u>	<u>407,868</u>	<u>3,564,096</u>
Depreciable Capital Assets:					
Buildings	7,582,068	-	-	-	7,582,068
Other improvements	38,447,093	70,498	305,687	-	38,211,904
Infrastructure	57,853,032	-	-	407,868	58,260,900
Equipment and vehicles	<u>3,744,783</u>	<u>215,942</u>	<u>128,592</u>	<u>-</u>	<u>3,832,133</u>
Total depreciable capital assets	<u>107,626,976</u>	<u>286,440</u>	<u>434,279</u>	<u>407,868</u>	<u>107,887,005</u>
Less Accumulated Depreciation:					
Buildings	7,175,742	87,915	-	-	7,263,657
Other improvements	17,986,671	1,676,047	114,580	-	19,548,138
Infrastructure	38,145,809	1,547,709	-	-	39,693,518
Equipment and vehicles	<u>2,699,541</u>	<u>257,261</u>	<u>128,592</u>	<u>-</u>	<u>2,828,210</u>
Total accumulated depreciation	<u>66,007,763</u>	<u>\$ 3,568,932</u>	<u>\$ 243,172</u>	<u>\$ -</u>	<u>69,333,523</u>
Total depreciable capital assets, net	<u>41,619,213</u>				<u>38,553,482</u>
Water and Sewer Fund capital assets, net	<u>44,059,495</u>				<u>42,117,578</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Golf Course Fund:					
Non-Depreciable Capital Assets:					
Land	<u>499,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>499,485</u>
Depreciable Capital Assets:					
Buildings	3,111,116	-	-	-	3,111,116
Improvements	51,491	-	-	-	51,491
Furniture, equipment, and vehicles	<u>1,153,785</u>	<u>40,389</u>	<u>-</u>	<u>-</u>	<u>1,194,174</u>
Total depreciable capital assets	<u>4,316,392</u>	<u>40,389</u>	<u>-</u>	<u>-</u>	<u>4,356,781</u>
Less Accumulated Depreciation:					
Buildings	3,083,658	24,046	-	-	3,107,704
Improvements	42,047	2,317	-	-	44,364
Furniture, equipment, and vehicles	<u>812,417</u>	<u>146,654</u>	<u>-</u>	<u>-</u>	<u>959,071</u>
Total accumulated depreciation	<u>3,938,122</u>	<u>\$ 173,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,111,139</u>
Total depreciable capital assets, net	<u>378,270</u>				<u>245,642</u>
Golf Course Fund capital assets, net	<u>877,755</u>				<u>745,127</u>
Business-type activities capital assets, net	<u>\$ 44,937,250</u>				<u>\$ 42,862,705</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 15,288,642	\$ 42,862,705
Long-term debt	(15,822,250)	(35,369,712)
Unspent debt proceeds	<u>10,237,258</u>	<u>105,559</u>
Net investment in capital assets	<u>\$ 9,703,650</u>	<u>\$ 7,598,552</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

B. Liabilities

Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Ending Balances</u>
Governmental activities	\$ 42,571	\$ 1,990,975	\$ 2,033,546
Business-type activities	\$ 7,916	\$ 117,314	\$ 125,230

Construction Commitments

The government has active construction projects as of June 30, 2019. At June 30, 2019, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Police Headquarters	\$ 4,284,682	\$ 6,996,968
Pilot Area project	2,635,208	138,695
Kennedy Road project	389,975	39,360
Total	\$ 7,309,865	\$ 7,175,023

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Thomasville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Thomasville's contractually required contribution rate for the year ended June 30, 2019, was 7.75% of compensation for law enforcement officers and 8.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Thomasville were \$1,084,367 for the year ended June 30, 2019.

Refunds of Contributions – City 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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the City reported a liability of \$4,583,838 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 City's proportion of the net pension liability was based on a projection of the City'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 City's proportion was 0.19322%, which was a decrease of 0.00227% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$1,237,130. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 707,177	\$ 23,729
Changes of assumptions	1,216,374	-
Net difference between projected and actual earnings on pension plan investments	629,224	-
Changes in proportion and differences between City contributions and proportionate share of contributions	39,110	51,551
City contributions subsequent to the measurement date	<u>1,084,367</u>	<u>-</u>
Total	<u><u>\$ 3,676,252</u></u>	<u><u>\$ 75,280</u></u>

\$1,084,367 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2020	\$ 1,194,249
2021	795,683
2022	156,900
2023	369,773
Thereafter	-
Total	<u><u>\$ 2,516,605</u></u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 increase	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 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:

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City'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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$11,010,779</u>	<u>\$ 4,583,838</u>	<u>\$ (786,612)</u>

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

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service. The Separation Allowance is equal to 0.85% 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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Retirees receiving benefits	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	66
Total	<u>72</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City 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 following criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions

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

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

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

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

Contributions. The City 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 City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City paid \$118,510 as benefits came due for the reporting period.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the City reported a total pension liability of \$2,282,150. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was 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 City recognized pension expense of \$185,316.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,544	\$ -
Changes of assumptions	93,481	106,687
City benefit payments and plan administrative expense made subsequent to the measurement date	49,445	-
Total	<u>\$ 210,470</u>	<u>\$ 106,687</u>

\$49,445 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 and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 12,292
2021	12,292
2022	12,292
2023	16,908
2024	779
Thereafter	(225)
Total	<u>\$ 54,338</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City'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:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$ 2,485,090</u>	<u>\$ 2,282,150</u>	<u>\$ 2,096,666</u>

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

	2019
Beginning balance	\$ 2,250,595
Service cost	103,778
Interest on the total pension liability	69,246
Differences between expected and actual experience in the measurement of the total pension liability	72,218
Changes of assumptions or other inputs	(95,177)
Benefit payments	<u>(118,510)</u>
Ending balance of the total pension liability	<u>\$ 2,282,150</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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for a five year period ended December 31, 2014.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,237,130	\$ 185,316	\$ 1,422,446
Pension liability	4,583,838	2,282,150	6,865,988
Proportionate share of the net pension liability	0.19322%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 707,177	\$ 67,544	\$ 774,721
Changes of assumptions	1,216,374	93,481	1,309,855
Net difference between projected and actual earnings on plan investments	629,224	-	629,224
Changes in proportion and differences between contributions and proportionate share of contributions	39,110	-	39,110
Benefit payments and administrative costs paid subsequent to the measurement date	1,084,367	49,445	1,133,812

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ 23,729	\$ -	\$ 23,729
Changes of assumptions	-	106,687	106,687
Changes in proportion and differences between contributions and proportionate share of contributions	51,551	-	51,551

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to Supplemental Retirement Income Plans (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 City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Comptroller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2019 were \$270,282, which consisted of \$182,827 from the City and \$87,455 from the law enforcement officers. No amounts were forfeited.

In addition to law enforcement officers, the City has allowed other employees to contribute to the Plan. During the year ended June 30, 2019, other employees contributed \$78,605 to the Plan. The City elected not to make a contribution for other employees during the year ended June 30, 2019. No amounts were forfeited.

Other Employment Benefits

The City 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 Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of continuing membership service in the Death Benefit Plan at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan and not by the City; the City does not determine the number of eligible participants.

The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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 City considers these contributions to be immaterial.

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City, by resolution, has elected to provide healthcare benefits to retirees of the City who retire from the North Carolina Local Government Employees' Retirement System under a normal or early retirement and has at least 15 consecutive years of service with the City at the time of retirement is eligible to participate in the City's healthcare plan upon retirement. Employees retiring due to a disability retirement are not eligible to participate in the City's healthcare plan upon retirement. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active City employees. Retirees can purchase coverage for their dependents at the City's group rates. Currently, 33 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2019, the City made payments for post-retirement health benefits premiums of \$230,578. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan. The plan is a single-employer defined benefit plan. The City Council may amend the benefit provisions.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Coverage will continue until the retiree becomes Medicare eligible at which time the City's subsidized retiree healthcare benefits will end. Retirees not qualifying for the City's subsidized health insurance plan may continue coverage for themselves and their dependents at their expense. The retiree may continue dependent coverage and pay the full cost of this coverage if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates when the dependent reaches the age of 65.

No assets are accumulated in a trust that meets the criteria in paragraph 14 of GASB Statement 75.

Membership of the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	30	6
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	233	66
Total	<u>263</u>	<u>72</u>

Total OPEB Liability

The City's total OPEB liability of \$9,368,960 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General employees	3.50 to 7.75 percent
Firefighters	3.50 to 7.75 percent
Law enforcement officers	3.50 to 7.35 percent
Municipal bond index rate:	
Prior measurement date	3.56 percent
Measurement date	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 7,282,990
Changes for the year:	
Service cost	299,600
Interest	255,206
Differences between expect and actual experience	1,636,465
Changes in assumptions or other inputs	125,277
Benefit payments	<u>(230,578)</u>
Net changes	<u>2,085,970</u>
Balance at June 30, 2019	<u>\$ 9,368,960</u>

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period January 1, 2010 through December 31, 2014 adopted by the LGERS Board.

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

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	<u>\$ 10,310,464</u>	<u>\$ 9,368,960</u>	<u>\$ 8,524,694</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 8,332,545	\$ 9,368,960	\$ 10,592,109

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$714,595. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,435,425	\$ 64,838
Changes of assumptions	109,887	294,266
Benefit payments and administrative costs made subsequent to the measurement date	219,790	-
Total	\$ 1,765,102	\$ 359,104

\$219,790 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 ending June 30, 2020. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 159,789
2021	159,789
2022	159,789
2023	159,789
2024	159,789
Thereafter	387,263
Total	\$ 1,186,208

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deferred Outflows and Inflows of Resources

The City has two deferred outflows of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
OPEB deferrals	\$ 1,765,102
Pension deferrals	3,886,722
Total	<u>\$ 5,651,824</u>

The balance in deferred inflows of resources for the City of Thomasville at year-end is composed of the following elements:

	<u>Amount</u>
OPEB deferrals	\$ 359,104
Pension deferrals	181,967
Miscellaneous accounts receivable (General Fund)	318,269
Taxes receivable (Special Revenue Fund)	150,271
Taxes receivable (General Fund)	608,056
Total	<u>\$ 1,258,563</u>

Risk Management

The City 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 City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million 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 City upon request.

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

The City does not carry flood insurance.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Director of Finance is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket plan for \$100,000 in a loss related to dishonesty, forgery, or alteration, and \$5,000 for theft.

Long-Term Obligations

Installment Purchase Contracts

Serviced by Governmental Funds:

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2014 in the amount of \$431,500, payable in 20 quarter-annual installments of \$22,430, including interest at 1.57%. The vehicles and equipment are held as collateral. 53.0% of this debt is serviced by the governmental funds.	\$ 24,246
Motorola Solutions Financing - for the purchase of equipment, issued December 2014 in the amount of \$939,278, payable in 5 annual installments of \$204,740, including interest at 2.950%. The equipment is held as collateral.	199,285
SunTrust - for purchase of equipment, issued February 2019 in the amount of \$1,100,000, payable in 96 monthly installments of \$38,579, including interest at 2.92%. The equipment is held as collateral.	1,066,776
SunTrust - for purchase of various equipment, issued February 2019 in the amount of \$686,000, payable in 59 monthly installments of \$36,814, including interest at 2.83%. The equipment is held as collateral. 70.0% of this debt is serviced by the governmental funds.	456,691
Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2016 in the amount of \$1,618,725, payable in 20 quarter-annual installments of \$42,101, including interest at 1.54%. The vehicles and equipment are held as collateral. 76.0% of this debt is serviced by the General Fund.	626,679
Motorola Solutions Financing - for the purchase of equipment, issued September 2016 in the amount of \$1,769,780, payable in 5 annual installments of \$373,857, including interest at 2.840%. The equipment is held as collateral.	1,061,710
Regions Equipment Finance - for purchase of various vehicles and equipment, issued November 2015 in the amount of \$563,500, payable in four annual installments of \$29,243, including interest at 1.5%. The vehicles and equipment are held as collateral. 35% of this debt is serviced by governmental funds.	60,611
Branch Banking & Trust - for the purchase of various vehicles and equipment, issued October 2017 in the amount of \$589,500, payable in 20 quarter-annual installments of \$31,019, including interest at 2.00%. The vehicles and equipment are held as collateral. 95.0% of this debt is serviced by the General Fund.	<u>397,528</u>
Total governmental funds	<u>\$ 3,893,526</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placements related to governmental activities of \$24,246 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental activities of \$199,285 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$1,066,766 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$456,691 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$626,679 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to governmental activities of \$1,061,710 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to governmental activities of \$60,611 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placements related to governmental activities of \$397,528 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

Serviced by Business-Type Funds:

Water and Sewer Fund:

SunTrust - for purchase of various equipment, issued October 2013 in the amount of \$735,000, payable in 20 quarterly installments of \$38,229, including interest at 1.54%. The equipment is held as collateral. 18.0% of this debt is serviced by the Water and Sewer Fund. \$ 15,069

SunTrust - for purchase of various equipment, issued February 2019 in the amount of \$686,000, payable in 59 monthly installments of \$36,814, including interest at 2.83%. The equipment is held as collateral. 22.0% of this debt is serviced by the Water and Sewer Fund. 143,532

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2016 in the amount of \$1,618,725, payable in 20 quarter-annual installments of \$42,101, including interest at 1.54%. The vehicles and equipment are held as collateral. 15.0% of this debt is serviced by the Water and Sewer Fund. 123,687

Regions Equipment Finance - for purchase of various vehicles and equipment, issued November 2015 in the amount of \$563,500, payable in four annual installments of \$29,243, including interest at 1.5%. The vehicles and equipment are held as collateral. 45% of this debt is serviced by the Water & Sewer Fund. 77,928

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued October 2017 in the amount of \$589,500, payable in 20 quarter-annual installments of \$31,019, including interest at 2.00%. The vehicles and equipment are held as collateral. 5.0% of this debt is serviced by the Water and Sewer Fund. 20,922

Total Water and Sewer Fund 381,138

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placements related to water and sewer of \$15,069 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to water and sewer of \$143,532 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

The City's outstanding note from direct placements related to water and sewer of \$123,687 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to water and sewer of \$77,928 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to water and sewer of \$20,922 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Golf Course Fund:

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2014 in the amount of \$431,500, payable in 20 quarter-annual installments of \$22,430, including interest at 1.57%. The vehicles and equipment are held as collateral. 9% of this debt is serviced by the Golf Course Fund. \$ 5,282

Regions Equipment Finance - for purchase of various vehicles and equipment, issued November 2015 in the amount of \$563,500, payable in four annual installments of \$29,243, including interest at 1.5%. The vehicles and equipment are held as collateral. 20% of this debt is serviced by the Golf Course Fund. 34,635

SunTrust - for purchase of various equipment, issued February 2019 in the amount of \$686,000, payable in 59 monthly installments of \$36,814, including interest at 2.83%. The equipment is held as collateral. 8.0% of this debt is serviced by the Golf Course Fund. 52,192

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2016 in the amount of \$1,618,725, payable in 20 quarter-annual installments of \$42,101, including interest at 1.54%. The vehicles and equipment are held as collateral. 9.0% of this debt is serviced by the Water and Sewer Fund. 74,212

Total Golf Course Fund 166,321

Total business-type funds \$ 547,459

The City's outstanding note from direct placements related to the golf course of \$5,282 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to the golf course of \$34,635 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

The City's outstanding note from direct placements related to the golf course of \$52,192 is secured by a security interest in various equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the City will relinquish all rights to the equipment.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placements related to the golf course of \$74,212 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the vehicles and equipment securing the loan and the City will relinquish all rights to the vehicles and equipment.

Annual debt service requirements for the City's direct placement installment purchase notes are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,180,586	\$ 93,558	\$ 219,293	\$ 9,487	\$ 1,399,879	\$ 103,045
2021	960,318	65,253	163,372	5,859	1,123,690	71,112
2022	835,520	41,593	87,598	3,200	923,118	44,793
2023	293,584	22,746	45,582	1,697	339,166	24,443
2024	216,114	15,512	31,614	463	247,728	15,975
2025 - 2029	407,404	18,020	-	-	407,404	18,020
Total	<u>\$ 3,893,526</u>	<u>\$ 256,682</u>	<u>\$ 547,459</u>	<u>\$ 20,706</u>	<u>\$ 4,440,985</u>	<u>\$ 277,388</u>

Water/Sewer 2004, 2009, and 2012 Revenue Bonds:

The City issued Combined Enterprise System Revenue Bonds (Series 2009) totaling \$7,080,000 on November 25, 2009. These bonds bear interest at rates varying from 3.00% to 4.00% to advance refund the 1997A and 1997B Water and Sewer Refunding Bonds to finance improvements to the Combined Enterprise System. Principal and interest will be provided by appropriation in the year in which they become due.

\$ 725,000

The City issued Combined Enterprise System Revenue Bonds (Series 2012) totaling \$10,745,000 on May 10, 2012. These bonds bear interest at rates varying from 2.00% to 4.75% to advance refund the 2002 and 2003 Water and Sewer Refunding Bonds to finance improvements to the Combined Enterprise System. Principal and interest will be provided by appropriation in the year in which they become due.

6,740,000

The City issued Combined Enterprise System Revenue Bonds (Series 2004) totaling \$3,500,000 on October 28, 2004 to finance improvements to the Combined Enterprise System. These bonds bear interest at a rate of 3.40%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

116,667

Total revenue bonds

\$ 7,581,667

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The revenue bonds are secured by pledged water and sewer customer revenues, net of specified operating expenses to repay revenue bonds. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements.

Revenue Bond Indebtedness

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Water and Sewer Fund		
	Principal	Interest	Total
2020	\$ 1,041,667	\$ 286,252	\$ 1,327,919
2021	955,000	264,125	1,219,125
2022	990,000	234,525	1,224,525
2023	770,000	-	770,000
2024	800,000	-	800,000
2025-2029	3,025,000	565,813	3,590,813
Total	<u>\$ 7,581,667</u>	<u>\$ 1,350,715</u>	<u>\$ 8,932,382</u>

At June 30, 2019, the City of Thomasville had a legal debt margin of approximately \$96,000,000.

Direct Borrowing Revolving Loan Payables

On January 6, 2006, the City was approved for a maximum loan amount of \$27,000,000 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 2.31% for 20 years. The loan repayment schedule based on the maximum loan of \$27,000,000 calls for semi-annual principal and interest repayments that amount to \$1,700,230 annually for 20 years. The total amount outstanding at June 30, 2019 was \$15,031,592.

On March 14, 2011, the City was approved for a \$59,354 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the American Recovery and Reinvestment Act, Drinking Water State Revolving Fund program. The loan proceeds were being used to install solar mixers at various water treatment plant locations. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$3,100 annually for 20 years. The total amount outstanding at June 30, 2019 was \$32,545.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

On June 4, 2012, the City was approved for a \$521,273 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a Sanitary Sewer project. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$26,064 annually for 20 years. The total amount outstanding at June 30, 2019 was \$338,827.

On October 15, 2012, the City was approved for a \$1,233,394 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a Fairgrove Water Main Improvement project. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$61,670 annually for 20 years. The total amount outstanding at June 30, 2019 was \$837,947.

On December 30, 2013, the City was approved for a \$695,750 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a Northside Pump Station Sewer project. The loan is repayable at 2.00% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$34,788 annually for 20 years. The total amount outstanding at June 30, 2019 was \$521,812.

On February 24, 2014, the City was approved for a \$3,169,646 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a North Hamby Creek Outfall Sewer project. The loan is repayable at 2.00% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$158,482 annually for 20 years. The total amount outstanding at June 30, 2019 was \$1,968,350.

On August 1, 2014, the City was approved for a \$241,293 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for the East Davidson Sewer project. The loan is repayable at zero percent for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$12,065 annually for 20 years. The total amount outstanding at June 30, 2019 was \$180,970.

On October 4, 2016, the City was approved for a \$3,176,801 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a Pilot Area Sewer project. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$158,840 annually for 20 years. The total amount outstanding at June 30, 2019 was \$2,585,671.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

On April 4, 2017, the City was approved for a \$822,924 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 1.84% for 20 years. The loan repayment schedule based on the maximum loan of \$822,924 calls for semi-annual principal and interest repayments that amount to approximately \$841,146 annually for 20 years. The total amount outstanding at June 30, 2019 was \$363,504.

On June 30, 2017, the City was approved for a \$5,140,783 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund program. The loan proceeds were being used for a North Hamby Creek Outfall Sewer project. The loan is repayable at 1.40% for 20 years. The loan repayment schedule calls for semiannual principal repayments that amount to approximately \$283,400 annually for 20 years. The total amount outstanding at June 30, 2019 was \$4,857,383.

The City's outstanding notes from direct borrowings related to business-type activities is not secured by a pledge of the faith and credit of the State of North Carolina or of the City but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the state may be withheld by the state and applied to the payment of the outstanding note.

Total outstanding direct borrowing revolving loan payables at June 30, 2019 are \$26,718,601.

Year Ending June 30	Water and Sewer Fund		
	Principal	Interest	Total
2020	\$ 1,957,833	\$ 489,098	\$ 2,446,931
2021	1,989,037	449,574	2,438,611
2022	2,020,960	445,119	2,466,079
2023	2,053,619	283,871	2,337,490
2024	2,087,031	283,384	2,370,415
2025-2029	10,963,918	1,485,634	12,449,552
2030-2034	2,896,588	425,354	3,321,942
2035-2039	2,749,615	64,385	2,814,000
Total	<u>\$ 26,718,601</u>	<u>\$ 3,926,419</u>	<u>\$ 30,645,020</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Water/Sewer Revenue Bonds

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the bond order, authorizing the issuance of the Water and Sewer Revenue bonds, Series 2004, 2009, and 2012 since their adoption. Section 704(a) of the Bond Order requires the debt service parity coverage ratio to be no less than 125.0% and the total debt service coverage ratio to be no less than 100.0%. Additional indebtedness constituted by the Series 2004 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

The debt service parity coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 12,877,637
Operating expenses*	<u>(7,149,974)</u>
Operating income	<u>\$ 5,727,663</u>
 Debt service on parity indebtedness	 <u>\$ 1,441,501</u>
 Debt service on parity indebtedness	 397%
 Other indebtedness related to the Combined Enterprise System	 <u>\$ 2,644,243</u>
 Pro-forma debt service coverage ratio on parity and other indebtedness	 140%

*Excludes depreciation and amortization

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay Combined Enterprise System revenue bonds (\$7,080,000 issued in 2009, \$10,745,000 issued in 2012, and \$3,500,000 issued in 2004). Proceeds from the bonds provided financing for the sewer line extensions to annexed areas. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require 35% of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,932,382. Principal and interest paid for the current year and total net revenues were \$1,441,501 and \$12,877,637, respectively.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Limited Obligation Bonds

On December 4, 2018, the City issued \$11,100,000 in limited obligation bonds, Series 2018 to fund construction for the City's new police facility. These 20-year bonds have interest rates varying between 4% and 5%. The total shown is net of the unamortized bond premium of \$872,341 associated with the bonds.

\$ 11,100,000

Total

\$ 11,100,000

In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 503,800
2021	400,000	503,800
2022	430,000	483,800
2023	645,000	462,300
2024	645,000	430,050
2025-2029	3,220,000	1,666,500
2030-2034	3,200,000	902,400
2035-2039	<u>2,560,000</u>	<u>256,000</u>
Total	<u>\$ 11,100,000</u>	<u>\$ 5,208,650</u>

The future payments presented above have not been adjusted by the net of unamortized bond premiums of \$828,724.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current</u> <u>Maturities</u>
Governmental Activities:					
Direct placement installment purchases	\$ 3,395,792	\$ 1,580,200	\$ (1,082,466)	\$ 3,893,526	\$ 1,180,586
Net pension obligation (LGERS)	2,478,832	1,309,780	-	3,788,612	-
Total pension liability (LEOSSA)	2,250,595	150,065	(118,510)	2,282,150	-
Total other post-employment liability	5,957,486	1,710,495	-	7,667,981	-
Compensated absences	<u>1,310,191</u>	<u>342,906</u>	<u>(442,984)</u>	<u>1,210,113</u>	<u>487,400</u>
Direct placement limited obligation bonds	-	11,100,000	-	11,100,000	-
Add: unamortized bond premium	<u>-</u>	<u>872,341</u>	<u>(43,617)</u>	<u>828,724</u>	<u>43,617</u>
Total limited obligation bonds	<u>-</u>	<u>11,972,341</u>	<u>(43,617)</u>	<u>11,928,724</u>	<u>43,617</u>
Total governmental activities	<u>\$ 15,392,896</u>	<u>\$ 17,065,787</u>	<u>\$ (1,687,577)</u>	<u>\$ 30,771,106</u>	<u>\$ 1,711,603</u>
Serviced by Water and Sewer Fund:					
Direct placement installment purchases	\$ 393,414	\$ 150,920	\$ (163,196)	\$ 381,138	\$ 152,967
Revenue bonds	8,705,000	-	(1,123,333)	7,581,667	1,041,667
Add: unamortized bond premium	581,801	-	(57,191)	524,610	(57,191)
Less: unamortized bond discount	<u>(3,936)</u>	<u>1,311</u>	<u>-</u>	<u>(2,625)</u>	<u>1,312</u>
Total revenue bonds	<u>9,282,865</u>	<u>1,311</u>	<u>(1,180,524)</u>	<u>8,103,652</u>	<u>985,788</u>
Direct borrowing note payable	<u>27,137,645</u>	<u>1,508,288</u>	<u>(1,927,332)</u>	<u>26,718,601</u>	<u>1,957,833</u>
Compensated absences	<u>175,103</u>	<u>85,815</u>	<u>(105,990)</u>	<u>154,928</u>	<u>93,778</u>
Net pension obligation (LGERS)	<u>418,116</u>	<u>239,594</u>	<u>-</u>	<u>657,710</u>	<u>-</u>
Total other post-employment liability	<u>1,114,297</u>	<u>312,895</u>	<u>-</u>	<u>1,427,192</u>	<u>-</u>
Total water and sewer	<u>\$ 38,521,440</u>	<u>\$ 2,298,823</u>	<u>\$ (3,377,042)</u>	<u>\$ 37,443,221</u>	<u>\$ 3,190,366</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current</u> <u>Maturities</u>
Serviced by Golf Course Fund:					
Direct placement installment purchases	\$ 222,629	\$ 54,880	\$ (111,188)	\$ 166,321	\$ 66,326
Total other post-employment liability	211,207	62,580	-	273,787	-
Net pension obligation (LGRS)	89,597	47,919	-	137,516	-
Compensated absences	23,132	16,563	(8,736)	30,959	10,771
Total golf course	<u>\$ 546,565</u>	<u>\$ 181,942</u>	<u>\$ (119,924)</u>	<u>\$ 608,583</u>	<u>\$ 77,097</u>

Compensated absences, pension obligations, and other post-employment benefit liabilities for governmental activities typically have been liquidated in the General Fund.

C. Revenue, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as revenue and an expenditure on-behalf payments for fringe benefits of \$13,628 for the stipend benefits paid to eligible fireman by the local Board of Trustees of the Fireman's Relief Fund during the fiscal year ended June 30, 2019. Under state law, the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their dependents.

D. Interfund Balances and Activity

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

Due to the City School Supplement Fund from the General Fund for property taxes	\$ 28,889
Due to the General Fund from the Golf Course Fund for cash deficit at year-end	<u>261,661</u>
Total	<u>\$ 290,550</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Transfers to/from other funds during the year end June 30, 2019 consist of the following:

From the General Fund to the Golf Course Fund for debt payments	\$ 294,576
From the General Fund to the Police Restitution and Forfeitures Fund for annual contribution	10,000
From the General Fund to the Beautification Fund for annual contribution	40,000
From the General Fund to the Cemetery Fund for annual contribution	10,000
From General Fund to Capital Project Fund for annual contribution	<u>700,000</u>
Total	<u>\$ 1,054,576</u>

3. Related Organization

The five-member Board of the City of Thomasville Housing Authority is appointed by the Mayor of the City of Thomasville. The City is accountable for the housing authority because it appoints the governing board; however, the City is not financially accountable for the housing authority. The City of Thomasville is also disclosed as a related organization in the notes to the financial statements for the City of Thomasville Housing Authority.

The pro shop at the City's golf course is owned and operated by a City employee. The employee leases the space for the pro shop from the City. The City's income from the lease for the year ended June 30, 2019 was \$4,800.

4. Joint Venture

The municipalities of Thomasville and Lexington, North Carolina, jointly own and operate a waterworks reservoir system. Both cities' governing bodies have authority, under resolutions adopted individually, to acquire, construct, improve, maintain, and jointly operate this system. Both cities have authority to issue bonds or other means of financing as necessary to acquire, construct, and/or improve the system. There are no bonds outstanding for the joint venture at June 30, 2019, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

As of May 1, 2000, the two cities and their county of location, Davidson County, entered into an agreement to form the Lake Thom-A-Lex Recreation Authority. This Authority, consisting of five members appointed by the governmental parties, is responsible for the oversight and promotion of operations related to recreation at Lake Thom-A-Lex.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Costs of operation are shared equally between both cities and the County. The City maintains control over the financial records and its share to the cost of operations is included as a non-operating expense in the Water and Sewer Fund. The City of Lexington and Davidson County are billed by Thomasville for their share of the costs.

Effective July 1, 2009, Davidson County began maintaining control over the financial records of the operation of the lake.

The City has a 50% interest in the venture and an ongoing financial responsibility for Lake Thom-A-Lex. The City's equity interest as of June 30, 2019 was \$382,022, which is shown in the government-wide financial statements. There is no distribution of net income. Net position remains in the joint venture for future operational needs of the system.

Assets, other than the construction in progress, consist of 1,034 acres of land, an earthen dam constructed in 1957, a boat house, piers, boats, and a vehicle, which are jointly owned. Costs of these assets are listed below as well as a condensed balance sheet and a statement of revenues, expenditures, and changes in fund balance.

	<u>June 30, 2019</u>
Assets:	
Cash	\$ 314,001
Accounts receivable	42,576
Land	223,395
Buildings	15,000
Other improvements	1,190,537
Equipment	<u>87,018</u>
	1,872,527
Less: accumulated depreciation	<u>(1,150,907)</u>
Total assets	<u>\$ 721,620</u>
 Net position	 <u>\$ 721,620</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>June 30, 2019</u>
Revenues:	
Permits, rentals, concessions, etc.	\$ 75,603
Contributions:	
City of Thomasville	47,002
City of Lexington	30,002
Davidson County	<u>30,002</u>
Total revenues	<u>182,609</u>
Expenditures:	
Salaries and employee benefits	115,275
Operating expenditures	<u>67,635</u>
Total expenditures	<u>182,910</u>
Revenues over (under) expenditures	<u>(301)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:	
Reconciling items:	
Depreciation expense	<u>(42,123)</u>
Change in net position	(42,424)
Net Position:	
Beginning of year - July 1	<u>764,044</u>
End of year - June 30	<u>\$ 721,620</u>

5. Jointly Governed Organization

The City, in conjunction with six counties and 25 other municipalities, established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$5,682 to the Council during the fiscal year ended June 30, 2019.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

6. Summary Disclosure

Federal and State-Assisted Programs

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

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance		
	2019	2018	2017
Beginning balance	\$2,250,595	\$2,024,832	\$1,980,847
Service cost	103,778	87,491	92,355
Interest on the total pension liability	69,246	76,479	69,524
Differences between expected and actual experience in the measurement of the total pension liability	72,218	10,701	-
Changes of assumptions or other inputs	(95,177)	138,101	(51,090)
Benefit payments	(118,510)	(87,009)	(66,804)
Ending balance of the total pension liability	<u>\$2,282,150</u>	<u>\$2,250,595</u>	<u>\$2,024,832</u>

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

*Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2026.

CITY OF THOMASVILLE, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL -
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 2,282,150	\$ 2,250,595	\$ 2,024,832
Covered payroll	3,478,115	3,398,634	3,302,883
Total pension liability as a percentage of covered payroll	65.61%	66.22%	61.30%

Notes to the Schedules:

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

*Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2026.

CITY OF THOMASVILLE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 299,600	\$ 325,027
Interest	255,206	219,563
Differences between expected and actual experience	1,636,465	(85,292)
Changes of assumptions or other inputs	125,277	(387,094)
Benefit payments	(230,578)	(166,115)
Net change in total OPEB liability	2,085,970	(93,911)
Total OPEB liability - beginning	7,282,990	7,376,901
Total OPEB liability - ending	\$ 9,368,960	\$ 7,282,990
Covered payroll	\$ 12,617,153	\$ 11,532,764
Total OPEB liability as a percentage of covered payroll	74.26%	63.15%

Notes to the Required Schedules:

Changes of Assumptions: Changes of assumptions 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:

Fiscal Year	Rate
2019	3.89%
2018	3.56%

Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2027.

CITY OF THOMASVILLE, NORTH CAROLINA

CITY OF THOMASVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
City of Thomasville's proportion of the net pension liability (asset) (%)	0.19322%	0.19549%	0.19443%	0.20665%	0.22027%	0.22390%
City of Thomasville's proportion of the net pension liability (asset) (\$)	\$ 4,583,838	\$ 2,986,545	\$ 4,126,454	\$ 927,431	\$ (1,299,035)	\$ 2,698,855
City of Thomasville's covered payroll	\$ 12,908,313	\$ 12,481,074	\$ 12,019,822	\$ 11,492,069	\$ 11,566,597	\$ 11,056,772
City of Thomasville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.51%	23.93%	34.33%	8.07%	(11.23%)	24.41%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2023.

CITY OF THOMASVILLE, NORTH CAROLINA

CITY OF THOMASVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,084,367	\$ 1,002,354	\$ 939,207	\$ 826,217	\$ 825,904	\$ 824,112
Contributions in relation to the contractually required contribution	<u>1,084,367</u>	<u>1,002,354</u>	<u>939,207</u>	<u>826,217</u>	<u>825,904</u>	<u>824,112</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Thomasville's covered payroll	\$ 13,520,908	\$ 12,908,313	\$ 12,481,074	\$ 12,019,822	\$ 11,492,069	\$ 11,566,597
Contributions as a percentage of covered payroll	8.02%	7.77%	7.53%	6.87%	7.19%	7.12%

Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2023.

CITY OF THOMASVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year - property	\$ 10,543,682	\$ 10,702,517	\$ 158,835
Prior years - property	450,000	454,722	4,722
Penalties and interest	150,000	144,050	(5,950)
Total	<u>11,143,682</u>	<u>11,301,289</u>	<u>157,607</u>
Other Taxes and Licenses:			
Local option sales tax	6,885,120	6,764,799	(120,321)
Video programming	230,938	203,262	(27,676)
Business privilege license	5,000	18,367	13,367
Solid waste disposal tax	96,483	18,950	(77,533)
Occupancy tax	150,000	146,255	(3,745)
Total	<u>7,367,541</u>	<u>7,151,633</u>	<u>(215,908)</u>
Unrestricted Intergovernmental Revenues:			
Telecommunications sales tax	156,970	138,158	(18,812)
Piped natural gas tax	64,420	56,699	(7,721)
Franchise tax	1,695,170	1,501,982	(193,188)
Beer and wine tax	125,000	116,900	(8,100)
Payments in lieu of taxes	30,000	22,509	(7,491)
ABC distributions	90,000	98,472	8,472
On-behalf payments:			
Fire and rescue	25,000	13,628	(11,372)
Total	<u>2,186,560</u>	<u>1,948,348</u>	<u>(238,212)</u>
Restricted Intergovernmental Revenues:			
Powell Bill	690,532	689,631	(901)
Federal grant	120,795	112,948	(7,847)
ABC distribution	10,000	13,701	3,701
State grant	53,190	33,197	(19,993)
Total	<u>874,517</u>	<u>849,477</u>	<u>(25,040)</u>
Permits and Fees:			
Building permits and inspection fees	289,750	209,611	(80,139)
Total	<u>289,750</u>	<u>209,611</u>	<u>(80,139)</u>
Sales and Services:			
Court costs and fines	10,000	3,324	(6,676)
Recreation revenues	339,300	323,025	(16,275)
Disposal fees	838,555	820,636	(17,919)
Total	<u>1,187,855</u>	<u>1,146,985</u>	<u>(40,870)</u>
Contributions	<u>214,579</u>	<u>168,696</u>	<u>(45,883)</u>
Investment Earnings	<u>130,000</u>	<u>272,621</u>	<u>142,621</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Over/Under
Miscellaneous	271,946	140,710	(131,236)
Total revenues	23,666,430	23,189,370	(477,060)
Expenditures:			
General Government:			
Mayor and Council:			
Salaries and employee benefits		78,505	
Operating expenditures		229,884	
Payment to Thomasville Tourism Commission		142,900	
Reimbursement from other funds		(47,385)	
Total	512,335	403,904	108,431
Administration:			
Salaries and employee benefits		443,079	
Operating expenditures		45,037	
Reimbursement from other funds		(128,917)	
Total	411,993	359,199	52,794
Personnel:			
Salaries and employee benefits		166,947	
Operating expenditures		41,108	
Reimbursement from other funds		(57,415)	
Total	184,488	150,640	33,848
City Hall:			
Salaries and employee benefits		52,936	
Operating expenditures		112,007	
Capital outlay		76,979	
Reimbursement from other funds		(76,658)	
Total	168,005	165,264	2,741
Finance:			
Salaries and employee benefits		461,489	
Operating expenditures		94,299	
Reimbursement from other funds		(138,677)	
Total	443,187	417,111	26,076
MIS:			
Salaries and employee benefits		150,202	
Operating expenditures		214,825	
Reimbursement from other funds		(94,289)	
Total	301,331	270,738	30,593

CITY OF THOMASVILLE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Legal:			
Salaries and employee benefits		141,339	
Operating expenditures		3,754	
Reimbursement from other funds		(38,661)	
Total	<u>123,555</u>	<u>106,432</u>	<u>17,123</u>
Tax Collection:			
Contract services	<u>140,000</u>	<u>134,787</u>	<u>5,213</u>
Total	<u>140,000</u>	<u>134,787</u>	<u>5,213</u>
Total general government	<u>2,284,894</u>	<u>2,008,075</u>	<u>276,819</u>
Public Works:			
Building:			
Salaries and employee benefits		174,998	
Operating expenditures		68,066	
Total	<u>268,937</u>	<u>243,064</u>	<u>25,873</u>
Engineering:			
Salaries and employee benefits		251,154	
Operating expenditures		13,072	
Reimbursement from other funds		(75,613)	
Total	<u>234,865</u>	<u>188,613</u>	<u>46,252</u>
Streets and Highways:			
Salaries and employee benefits		610,262	
Street lighting		435,949	
Operating expenditures		191,193	
Capital outlay		15,017	
Total	<u>1,494,695</u>	<u>1,252,421</u>	<u>242,274</u>
Powell Bill:			
Salaries and employee benefits		300,969	
Operating expenditures		483,191	
Total	<u>854,556</u>	<u>784,160</u>	<u>70,396</u>
Fleet Services:			
Salaries and employee benefits		241,863	
Operating expenditures		33,757	
Capital outlay		31,163	
Reimbursement from other funds		(84,999)	
Total	<u>263,454</u>	<u>221,784</u>	<u>41,670</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Solid Waste:			
Salaries and employee benefits		1,362,722	
Operating expenditures		949,339	
Capital outlay		188,878	
Total	<u>2,646,020</u>	<u>2,500,939</u>	<u>145,081</u>
 Total public works	 <u>5,762,527</u>	 <u>5,190,981</u>	 <u>571,546</u>
Public Safety:			
Police Department:			
Salaries and employee benefits		5,420,334	
Operating expenditures		1,065,889	
Capital outlay		179,475	
Total	<u>7,200,551</u>	<u>6,665,698</u>	<u>534,853</u>
 Fire Department:			
Salaries and employee benefits		4,289,516	
Operating expenditures		688,879	
Capital outlay		8,399	
Total	<u>6,492,878</u>	<u>4,986,794</u>	<u>1,506,084</u>
 Inspection:			
Salaries and employee benefits		354,542	
Operating expenditures		61,987	
Reimbursement from other funds		(104,607)	
Total	<u>332,011</u>	<u>311,922</u>	<u>20,089</u>
 Radio Service:			
Operating expenditures		116,594	
Reimbursement from other funds		(66,255)	
Total	<u>145,012</u>	<u>50,339</u>	<u>94,673</u>
 Planning and Zoning:			
Salaries and employee benefits		88,594	
Operating expenditures		11,051	
Total	<u>119,141</u>	<u>99,645</u>	<u>19,496</u>
 Total public safety	 <u>14,289,593</u>	 <u>12,114,398</u>	 <u>2,175,195</u>
 Cultural and Recreation:			
Administration:			
Salaries and employee benefits		143,965	
Operating expenditures		12,841	
Total	<u>183,085</u>	<u>156,806</u>	<u>26,279</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Organized Programs:			
Salaries and employee benefits		320,532	
Operating expenditures		49,253	
Total	424,870	369,785	55,085
Areas and Facilities:			
Salaries and employee benefits		226,201	
Operating expenditures		396,871	
Capital outlay		128,909	
Total	853,251	751,981	101,270
Total cultural and recreation	1,461,206	1,278,572	182,634
Debt Service:			
Principal retirement		1,082,466	
Interest and fees		403,976	
Total debt service	1,507,204	1,486,442	20,762
Miscellaneous expenditures	175,172	38,511	136,661
Total expenditures	25,480,596	22,116,979	3,363,617
Revenues over (under) expenditures	(1,814,166)	1,072,391	2,886,557
Other Financing Sources (Uses):			
Installment financing	1,614,000	1,580,200	(33,800)
Transfers from:			
Transfers to:			
Police Restitution and Forfeitures Fund	(10,000)	(10,000)	-
Capital Project Fund	(348,122)	-	348,122
Cemetery Fund	(10,000)	(10,000)	-
General Capital Projects Fund	(850,000)	(700,000)	150,000
Golf Course Enterprise Fund	(294,576)	(294,576)	-
Beautification Fund	(40,000)	(40,000)	-
Appropriated fund balance	1,752,864	-	(1,752,864)
Total other financing sources (uses)	1,814,166	525,624	(1,288,542)
Net change in fund balance	\$ -	1,598,015	\$ 1,598,015
Fund Balance:			
Beginning of year - July 1		12,199,847	
End of year - June 30		\$ 13,797,862	

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental	\$ 514,546	\$ 225,000	\$ 175,000	\$ 400,000	\$ (114,546)
Contributions	19,600	19,600	-	19,600	-
Investment earnings	-	-	125,154	125,154	125,154
Sales tax refund	-	-	56,033	56,033	56,033
Total revenues	534,146	244,600	356,187	600,787	66,641
Expenditures:					
Public Safety:					
Police Headquarters:					
Operating expenditures	13,585,266	664,432	4,702,759	5,367,191	8,218,075
FEMA Assistance to Firefighters:					
Equipment	126,000	-	-	-	126,000
Economic and Physical Development:					
Downtown Revitalization Grant:					
Operating expenditures	419,600	225,000	193,000	418,000	1,600
Total expenditures	14,130,866	889,432	4,895,759	5,785,191	8,345,675
Revenues over (under) expenditures	(13,596,720)	(644,832)	(4,539,572)	(5,184,404)	(9,723,976)
Other Financing Sources (Uses):					
Limited obligation bonds	11,100,000	-	11,100,000	11,100,000	11,100,000
Bond premium	872,341	-	872,341	872,341	872,341
Transfers from General Fund	1,334,379	622,925	700,000	1,322,925	700,000
Transfers from Police Restitution & Forfeitures Fund	290,000	290,000	-	290,000	-
Total other financing sources (uses)	13,596,720	912,925	12,672,341	13,585,266	12,672,341
Net change in fund balance	\$ -	\$ 268,093	\$ 8,132,769	\$ 8,400,862	\$ 8,400,862

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Nonmajor Special Revenue Funds			
	City School Supplement Fund	Police Restitution and Forfeitures Fund	Stormwater Fund	Cemetery Fund
Assets:				
Cash and cash equivalents	\$ 13,682	\$ 129,611	\$ 1,131,320	\$ 62,053
Restricted cash	-	-	-	4,345
Taxes receivable, net	150,271	-	-	-
Accounts receivable, net	-	-	15,843	-
Due from other funds	28,889	-	-	-
Total assets	<u>\$ 192,842</u>	<u>\$ 129,611</u>	<u>\$ 1,147,163</u>	<u>\$ 66,398</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accrued expenses	\$ 42,571	\$ -	\$ -	\$ -
Liabilities to be paid from restricted assets:				
Deposits	-	-	-	4,345
Total liabilities	<u>42,571</u>	<u>-</u>	<u>-</u>	<u>4,345</u>
Deferred Inflows of Resources:				
Unavailable taxes	<u>150,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Stabilization by state statute	28,889	8,150	27,090	1,898
Restricted, all other	-	121,461	-	-
Assigned	-	-	1,120,073	60,155
Unassigned	<u>(28,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>129,611</u>	<u>1,147,163</u>	<u>62,053</u>
Total liabilities, deferred inflows of resources, resources, and fund balances	<u>\$ 192,842</u>	<u>\$ 129,611</u>	<u>\$ 1,147,163</u>	<u>\$ 66,398</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Nonmajor Special Revenue Funds			Total Nonmajor Governmental Funds
	Beautification Fund	Public Safety Grant Fund	Community Development Block Grant Fund	
Assets:				
Cash and cash equivalents	\$ 36,050	\$ -	\$ 8,500	\$ 1,381,216
Restricted cash	-	-	-	4,345
Taxes receivable, net	-	-	-	150,271
Accounts receivable, net	-	-	-	15,843
Due from other funds	-	-	-	28,889
Total assets	<u>\$ 36,050</u>	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 1,580,564</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accrued expenses	\$ 60	\$ -	\$ -	\$ 42,631
Liabilities to be paid from restricted assets:				
Deposits	-	-	-	4,345
Total liabilities	<u>60</u>	<u>-</u>	<u>-</u>	<u>46,976</u>
Deferred Inflows of Resources:				
Unavailable taxes	-	-	-	150,271
Fund Balances:				
Restricted:				
Stabilization by state statute	160	-	-	66,187
Restricted, all other	-	-	-	121,461
Assigned	35,830	-	8,500	1,224,558
Unassigned	-	-	-	(28,889)
Total fund balances	<u>35,990</u>	<u>-</u>	<u>8,500</u>	<u>1,383,317</u>
Total liabilities, deferred inflows of resources, resources, and fund balances	<u>\$ 36,050</u>	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 1,580,564</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Nonmajor Special Revenue Funds			
	City School Supplement Fund	Police Restitution and Forfeitures Fund	Stormwater Fund	Cemetery Fund
Revenues:				
Ad valorem taxes	\$ 1,597,073	\$ -	\$ -	\$ -
Restricted intergovernmental	-	107,980	-	-
Permits and fees	85	-	137,872	-
Contributions	-	-	-	3,135
Investment earnings	-	2,742	25,748	-
Miscellaneous revenue	-	-	-	-
Total revenues	<u>1,597,158</u>	<u>110,722</u>	<u>163,620</u>	<u>3,135</u>
Expenditures:				
Current:				
General government	1,597,158	-	64,742	22,518
Public safety	-	32,180	-	-
Economic and physical development	-	-	-	-
Total expenditures	<u>1,597,158</u>	<u>32,180</u>	<u>64,742</u>	<u>22,518</u>
Revenues over (under) expenditures	<u>-</u>	<u>78,542</u>	<u>98,878</u>	<u>(19,383)</u>
Other Financing Sources (Uses):				
Transfers from General Fund	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balances	-	88,542	98,878	(9,383)
Fund Balances:				
Beginning of year - July 1	<u>-</u>	<u>41,069</u>	<u>1,048,285</u>	<u>71,436</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 129,611</u>	<u>\$ 1,147,163</u>	<u>\$ 62,053</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Special Revenue Funds			Total Nonmajor Governmental Funds
	Beautification Fund	Public Safety Grant Fund	Community Development Block Grant Fund	
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 1,597,073
Restricted intergovernmental	-	-	525,000	632,980
Permits and fees	3,766	-	-	141,723
Contributions	33,892	-	-	37,027
Investment earnings	699	-	-	29,189
Miscellaneous revenue	1,000	-	-	1,000
Total revenues	<u>39,357</u>	<u>-</u>	<u>525,000</u>	<u>2,438,992</u>
Expenditures:				
Current:				
General government	56,644	-	-	1,741,062
Public safety	-	-	-	32,180
Economic and physical development	-	-	523,152	523,152
Total expenditures	<u>56,644</u>	<u>-</u>	<u>523,152</u>	<u>2,296,394</u>
Revenues over (under) expenditures	<u>(17,287)</u>	<u>-</u>	<u>1,848</u>	<u>142,598</u>
Other Financing Sources (Uses):				
Transfers from General Fund	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Net change in fund balances	<u>22,713</u>	<u>-</u>	<u>1,848</u>	<u>202,598</u>
Fund Balances:				
Beginning of year - July 1	<u>13,277</u>	<u>-</u>	<u>6,652</u>	<u>1,180,719</u>
End of year - June 30	<u>\$ 35,990</u>	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 1,383,317</u>

CITY OF THOMASVILLE, NORTH CAROLINA

CITY SCHOOL SUPPLEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year - property	\$ 1,593,902	\$ 1,532,422	\$ (61,480)
Prior years - property	49,500	64,651	15,151
Miscellaneous revenue	500	85	(415)
Total revenues	<u>1,643,902</u>	<u>1,597,158</u>	<u>(46,744)</u>
Expenditures:			
General Government:			
Operating expenditures	<u>1,643,902</u>	<u>1,597,158</u>	<u>46,744</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

POLICE RESTITUTION AND FORFEITURES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted Intergovernmental:			
Forfeitures and restitution	\$ 54,075	\$ 80,512	\$ 26,437
Controlled substance tax	11,000	27,468	16,468
Investment earnings	-	2,742	2,742
Total revenues	<u>65,075</u>	<u>110,722</u>	<u>45,647</u>
Expenditures:			
Current:			
Public Safety:			
Current operating	<u>75,775</u>	<u>32,180</u>	<u>43,595</u>
Revenues over (under) expenditures	<u>(10,700)</u>	<u>78,542</u>	<u>89,242</u>
Other Financing Sources (Uses):			
Appropriated fund balance	700	-	(700)
Transfer from General Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>10,700</u>	<u>10,000</u>	<u>(700)</u>
Net change in fund balance	<u>\$ -</u>	88,542	<u>\$ 88,542</u>
Fund Balance:			
Beginning of year - July 1		<u>41,069</u>	
End of year - June 30		<u>\$ 129,611</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Permits and fees			
Stormwater fees	\$ 103,380	\$ 137,872	\$ 34,492
Investment earnings	-	25,748	25,748
Total revenues	<u>103,380</u>	<u>163,620</u>	<u>60,240</u>
Expenditures:			
Current:			
General Government:			
Current operating	<u>126,355</u>	<u>64,742</u>	<u>61,613</u>
Revenues over (under) expenditures	(22,975)	98,878	121,853
Other Financing Sources (Uses):			
Appropriated fund balance	<u>22,975</u>	<u>-</u>	<u>(22,975)</u>
Net change in fund balance	<u>\$ -</u>	<u>98,878</u>	<u>\$ 98,878</u>
Fund Balance:			
Beginning of year - July 1		<u>1,048,285</u>	
End of year - June 30		<u>\$ 1,147,163</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Contributions	\$ -	\$ 3,135	\$ 3,135
Expenditures:			
Current:			
General Government:			
Current operating	12,900	22,518	(9,618)
Capital outlay	68,536	-	68,536
Total expenditures	81,436	22,518	58,918
Revenues over (under) expenditures	(81,436)	(19,383)	62,053
Other Financing Sources (Uses):			
Appropriated fund balance	71,436	-	(71,436)
Transfer from General Fund	10,000	10,000	-
Total other financing sources (uses)	81,436	10,000	(71,436)
Net change in fund balance	\$ -	(9,383)	\$ (9,383)
Fund Balance:			
Beginning of year - July 1		71,436	
End of year - June 30		\$ 62,053	

CITY OF THOMASVILLE, NORTH CAROLINA

BEAUTIFICATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Sales and rents	\$ 6,251	\$ 3,766	\$ (2,485)
Contributions	-	33,892	33,892
Miscellaneous revenue	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total operating revenues	7,251	38,658	31,407
Non-operating revenues:			
Investment earnings	<u>424</u>	<u>699</u>	<u>275</u>
Total revenues	<u>7,675</u>	<u>39,357</u>	<u>31,682</u>
Expenditures:			
Current operating:			
General government	<u>60,901</u>	<u>56,644</u>	<u>4,257</u>
Revenues over (under) expenditures	<u>(53,226)</u>	<u>(17,287)</u>	<u>35,939</u>
Other Financing Sources (Uses):			
Transfers in - General Fund	40,000	40,000	-
Appropriated fund balance	<u>13,226</u>	<u>-</u>	<u>(13,226)</u>
Total other financing sources (uses)	<u>53,226</u>	<u>40,000</u>	<u>(13,226)</u>
Net change in fund balance	<u>\$ -</u>	22,713	<u>\$ 22,713</u>
Fund Balance:			
Beginning of year - July 1		<u>13,277</u>	
End of year - June 30		<u>\$ 35,990</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

PUBLIC SAFETY GRANT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted Intergovernmental:				
Justice Assistance Grant (15)	\$ -	\$ 22,751	\$ -	\$ 22,751
Justice Assistance Grant (12)	<u>10,221</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>10,221</u>	<u>22,751</u>	<u>-</u>	<u>22,751</u>
Expenditures:				
Justice Assistance Grant (15):				
Operations and maintenance	<u>-</u>	<u>22,751</u>	<u>-</u>	<u>22,751</u>
Justice Assistance Grant (12):				
Equipment	<u>5,496</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governor's Highway Safety Grant:				
Equipment	<u>4,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,221</u>	<u>22,751</u>	<u>-</u>	<u>22,751</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF THOMASVILLE, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Building Re-Use Grant Wildcat Territory	\$ 161,500	\$ 73,769	\$ -	\$ 73,769	\$ (87,731)
Contribution	25,000	-	25,000	25,000	-
Building Re-Use Grant Mohawk Industries	500,000	-	500,000	500,000	-
Total revenues	<u>686,500</u>	<u>73,769</u>	<u>525,000</u>	<u>598,769</u>	<u>(87,731)</u>
Expenditures:					
General Government:					
Building Re-Use Grant:					
Operating expenditures Wildcat Territory	170,000	75,617	(1,848)	73,769	96,231
Building Re-Use Grant Mohawk Industries	<u>525,000</u>	<u>-</u>	<u>525,000</u>	<u>525,000</u>	<u>-</u>
Total expenditures	<u>695,000</u>	<u>75,617</u>	<u>523,152</u>	<u>598,769</u>	<u>96,231</u>
Revenues over (under) expenditures	(8,500)	(1,848)	1,848	-	8,500
Other Financing Sources (Uses):					
Transfers (to) from General Fund	<u>8,500</u>	<u>8,500</u>	<u>-</u>	<u>8,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,652</u>	<u>\$ 1,848</u>	<u>\$ 8,500</u>	<u>\$ 8,500</u>

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Water and sewer charges	\$ 11,705,238	\$ 12,051,007	\$ 345,769
Connection Fees:			
Water and sewer taps	35,000	66,418	31,418
Reconnection fees	180,000	180,964	964
Total connection fees	215,000	247,382	32,382
Total charges for services and connection fees	11,920,238	12,298,389	378,151
Restricted Intergovernmental:			
Other operating revenues	548,885	579,248	30,363
Total operating revenues	12,469,123	12,877,637	408,514
Non-operating revenues:			
Miscellaneous	1,681	-	(1,681)
Interest earned on investments	35,000	52,530	17,530
Total non-operating revenues	36,681	52,530	15,849
Total revenues	12,505,804	12,930,167	424,363
Expenditures:			
Administration:			
Salaries and employee benefits	113,133	112,283	850
Administrative fees	9,573	9,573	-
Other departmental expenditures	5,613	3,680	1,933
Total administration	128,319	125,536	2,783
Billing and Collection:			
Salaries and employee benefits	322,567	322,115	452
Telephone and postage	50,011	47,564	2,447
Administrative fees	34,370	34,370	-
Contract services	55,070	50,254	4,816
Other departmental expenditures	49,645	39,328	10,317
Total billing and collection	511,663	493,631	18,032
Meter Service:			
Salaries and employee benefits	192,722	192,545	177
Supplies	5,848	3,626	2,222
Administrative fees	17,005	17,005	-
Other departmental expenditures	28,226	23,781	4,445
Capital outlay	22,700	21,042	1,658
Total meter service	266,501	257,999	8,502

CITY OF THOMASVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance Over/Under
Water Treatment Plant:			
Salaries and employee benefits	625,279	535,735	89,544
Utilities	145,200	142,880	2,320
Supplies and maintenance materials	402,500	368,272	34,228
Repairs and maintenance	251,636	124,270	127,366
Administrative fees	220,914	220,914	-
Other departmental expenditures	112,849	70,590	42,259
Capital outlay	504,167	70,498	433,669
Total water treatment plant	<u>2,262,545</u>	<u>1,533,159</u>	<u>729,386</u>
Construction and Maintenance:			
Salaries and employee benefits	855,429	815,387	40,042
Supplies and maintenance materials	584,192	447,851	136,341
Repairs and maintenance	61,066	41,673	19,393
Contract services	493,939	349,710	144,229
Administrative fees	171,831	171,831	-
Other departmental expenditures	495,637	151,588	344,049
Capital outlay	<u>1,405,902</u>	<u>148,578</u>	<u>1,257,324</u>
Total construction and maintenance	<u>4,067,996</u>	<u>2,126,618</u>	<u>1,941,378</u>
Waste Treatment Plant:			
Salaries and employee benefits	834,509	831,881	2,628
Utilities	274,620	271,224	3,396
Supplies and maintenance materials	86,883	78,743	8,140
Repairs and maintenance	238,326	215,134	23,192
Contract services	380,586	362,806	17,780
Administrative fees	459,783	459,783	-
Other departmental expenditures	245,445	210,813	34,632
Capital outlay	<u>160,000</u>	<u>143,547</u>	<u>16,453</u>
Total waste treatment plant	<u>2,680,152</u>	<u>2,573,931</u>	<u>106,221</u>
Contribution to joint venture	<u>30,002</u>	<u>30,002</u>	<u>-</u>
Miscellaneous	<u>191,088</u>	<u>-</u>	<u>191,088</u>
Debt Service:			
Principal retirement	3,243,051	3,213,861	29,190
Interest and fees	<u>892,307</u>	<u>873,486</u>	<u>18,821</u>
Total debt service	<u>4,135,358</u>	<u>4,087,347</u>	<u>48,011</u>
Total expenditures	<u>14,273,624</u>	<u>11,228,223</u>	<u>3,045,401</u>
Revenues over (under) expenditures	<u>(1,767,820)</u>	<u>1,701,944</u>	<u>3,469,764</u>

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Installment financing	227,700	150,920	(76,780)
Transfer to Water and Sewer Capital Reserve Fund	(300,000)	(300,000)	-
Transfer to Water and Sewer Capital Projects Fund	(84,948)	(84,948)	-
Appropriated retained earnings	1,925,068	-	(1,925,068)
Total other financing sources (uses)	<u>1,767,820</u>	<u>(234,028)</u>	<u>(2,001,848)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,467,916</u>	<u>\$ 1,467,916</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 1,467,916</u>	
Reconciling items:			
Payment of debt principal		3,213,861	
Depreciation and amortization		(3,513,050)	
Capital outlay expenditures		383,665	
Capital project fund expenditures not capitalized		(139,859)	
Transfer to Capital Reserve Fund		300,000	
Transfer to Water Capital Project Fund		84,948	
Installment financing issued		(150,920)	
Capital Project fund revenues		9,757	
Change in compensated absences		20,175	
Change in deferred outflows of resources - OPEB		229,487	
Change in deferred inflows of resources - OPEB		9,743	
Change in OPEB liability		(312,895)	
Investment earnings in capital reserve		36,092	
Change in deferred outflows of resources - pensions		198,262	
Change in net pension liability		(239,594)	
Change in deferred inflows of resources - pensions		18,417	
Bad debt expense		(206,501)	
Loss on disposal		(191,107)	
Change in accrued interest		(3,997)	
Change in joint venture investment		<u>(21,212)</u>	
Total reconciling items		<u>(274,728)</u>	
Change in net position		<u>\$ 1,193,188</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
COMBINED REVENUE BONDS AND STATE REVOLVING LOAN
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Sales tax refund	\$ -	\$ 88,118	\$ 9,757	\$ 97,875	\$ 97,875
Restricted intergovernmental	3,000,000	-	-	-	(3,000,000)
Miscellaneous revenue	-	32,009	-	32,009	32,009
Total revenues	<u>3,000,000</u>	<u>120,127</u>	<u>9,757</u>	<u>129,884</u>	<u>(2,870,116)</u>
Expenditures:					
Pilot Area Main Improvement - engineering	496,660	173,868	122,363	296,231	200,429
Pilot Area Main Improvement - contingency	130,651	-	-	-	130,651
Pilot Area Water Main Improvement - construction	2,613,026	1,474,767	1,384,083	2,858,850	(245,824)
Hank Branch Phase I - engineering	163,000	-	17,496	17,496	145,504
Hank Branch Phase 1 - contingency	92,000	-	-	-	92,000
Hank Branch Phase 1 - construction	918,000	-	-	-	918,000
Kennedy Road - engineering	60,000	-	-	-	60,000
Kennedy Road - contingency	22,353	-	-	-	22,353
Kennedy Road - construction	447,060	357,494	50,374	407,868	39,192
Kennedy Road - contract services	10,588	10,588	-	10,588	-
North Hamby Creek Outfall Phase 2 - construction	6,389,016	5,338,122	-	5,338,122	1,050,894
North Hamby Creek Outfall Phase 2 - engineering	211,784	211,785	-	211,785	(1)
North Hamby Creek Outfall Phase 2 - closing costs	136,252	113,360	-	113,360	22,892
North Hamby Creek Outfall Phase 2 - contingency	211,784	-	-	-	211,784
North Hamby Creek Outfall Phase 3 - construction	6,856,628	-	-	-	6,856,628
North Hamby Creek Outfall Phase 3 - engineering	792,060	-	-	-	792,060
North Hamby Creek Outfall Phase 3 - closing costs	166,689	-	-	-	166,689
North Hamby Creek Outfall Phase 3 - contingency	685,663	-	-	-	685,663
Total expenditures	<u>20,403,214</u>	<u>7,679,984</u>	<u>1,574,316</u>	<u>9,254,300</u>	<u>2,647,874</u>
Revenues over (under) expenditures	<u>(17,403,214)</u>	<u>(7,559,857)</u>	<u>(1,564,559)</u>	<u>(9,124,416)</u>	<u>(5,517,990)</u>
Other Financing Sources (Uses):					
State revolving loan	16,918,201	6,608,141	1,508,288	8,116,429	8,801,772
Transfers from Water and Sewer Fund	485,013	389,477	84,948	474,425	10,588
Total other financing sources (uses)	<u>17,403,214</u>	<u>6,997,618</u>	<u>1,593,236</u>	<u>8,590,854</u>	<u>8,812,360</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (562,239)</u>	<u>\$ 28,677</u>	<u>\$ (533,562)</u>	<u>\$ (533,562)</u>

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 36,092	\$ 36,092
Other Financing Sources (Uses):			
Transfers:			
From Water and Sewer Fund	300,000	300,000	-
To Capital Projects Fund	(300,000)	-	300,000
Total other financing sources (uses)	-	300,000	300,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 336,092	\$ 336,092

CITY OF THOMASVILLE, NORTH CAROLINA

GOLF COURSE ENTERPRISE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Charges for services	\$ 625,771	\$ 558,352	\$ (67,419)
Miscellaneous	7,200	776	(6,424)
Total revenues	<u>632,971</u>	<u>559,128</u>	<u>(73,843)</u>
Expenditures:			
Golf Course Clubhouse:			
Salaries and employee benefits	171,637	159,443	12,194
Other departmental expenditures	78,674	76,304	2,370
Total golf course clubhouse	<u>250,311</u>	<u>235,747</u>	<u>14,564</u>
Golf Course Maintenance:			
Salaries and employee benefits	366,178	359,103	7,075
Other departmental expenditures	191,301	152,083	39,218
Capital outlay	59,400	40,389	19,011
Total golf course maintenance	<u>616,879</u>	<u>551,575</u>	<u>65,304</u>
Debt Service:			
Debt principal	111,205	111,188	17
Interest	3,252	2,917	335
Total debt service	<u>114,457</u>	<u>114,105</u>	<u>352</u>
 Total expenditures	 <u>981,647</u>	 <u>901,427</u>	 <u>80,220</u>
 Revenues over (under) expenditures	 <u>(348,676)</u>	 <u>(342,299)</u>	 <u>6,377</u>
Other Financing Sources (Uses):			
Transfer from General Fund	294,576	294,576	-
Installment note issued	54,100	54,880	780
Total other financing sources (uses)	<u>348,676</u>	<u>349,456</u>	<u>780</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 7,157</u>	 <u>\$ 7,157</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GOLF COURSE ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 7,157	
Reconciling items:			
Depreciation		(173,017)	
Installment note issued		(54,880)	
Capital outlay expenditures		40,389	
Change in deferred outflows of resources - pensions		39,652	
Change in deferred outflows of resources - OPEB		46,266	
Change in net pension liability		(47,919)	
Change in deferred inflows of resources - pensions		3,684	
Change in compensated absences		(7,827)	
Change in deferred inflows of resources - OPEB		1,284	
Change in OPEB liability		(62,580)	
Debt principal		<u>111,188</u>	
Total reconciling items		<u>(103,760)</u>	
Change in net position		\$ <u>(96,603)</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 11,231,500	\$ 10,872,790	\$ 358,710
2017-2018	412,401	-	187,724	224,677
2016-2017	207,725	-	99,630	108,095
2015-2016	137,065	-	52,872	84,193
2014-2015	82,233	-	33,737	48,496
2013-2014	94,184	-	21,716	72,468
2012-2013	114,762	-	16,112	98,650
2011-2012	51,718	-	15,956	35,762
2010-2011	78,050	-	11,680	66,370
2009-2010	1,369	-	734	635
2008-2009	944	-	944	-
Total	<u>\$ 1,180,451</u>	<u>\$ 11,231,500</u>	<u>\$ 11,313,895</u>	<u>1,098,056</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>490,000</u>
Ad valorem taxes receivable, net				<u>\$ 608,056</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 608,056</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund				\$ 11,301,289
Amounts written off per statute of limitations				(944)
Collection of prior taxes written off				13,228
Discounts allowed				101,610
Releases allowed				42,763
Interest and penalties collected				<u>(144,051)</u>
Total collections and credits				<u>\$ 11,313,895</u>

CITY OF THOMASVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 1,737,755,868	\$ 0.60	\$ 10,614,145	\$ 9,792,554	\$ 821,591
Registered motor vehicles taxed at prior year's taxes	<u>29,885,995</u>	0.60	<u>179,316</u>	<u>-</u>	<u>179,316</u>
Total	<u>1,767,641,863</u>		<u>10,793,461</u>	<u>9,792,554</u>	<u>1,000,907</u>
Discoveries:					
Current year taxes	<u>73,006,450</u>		<u>438,039</u>	<u>438,039</u>	<u>-</u>
Total property valuation	<u>\$ 1,840,648,313</u>	(a)			
Net Levy			11,231,500	10,230,593	1,000,907
Less uncollected taxes at June 30, 2019			<u>358,710</u>	<u>352,850</u>	<u>5,860</u>
Current Year's Taxes Collected			<u>\$ 10,872,790</u>	<u>\$ 9,877,743</u>	<u>\$ 995,047</u>
Current Levy Collection Percentage			<u>96.81%</u>	<u>96.55%</u>	<u>99.41%</u>
(a) Total property valuation consists of the following:					
Real property	\$ 1,401,827,303				
Personal property	386,456,239				
Public utilities property	<u>52,364,771</u>				
Total	<u>\$ 1,840,648,313</u>				

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - CITY SCHOOL FUND
JUNE 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 1,628,829	\$ 1,546,637	\$ 82,192
2017-2018	87,031	-	38,701	48,330
2016-2017	55,472	-	21,381	34,091
2015-2016	39,445	-	11,516	27,929
2014-2015	32,448	-	6,413	26,035
2013-2014	22,497	-	3,704	18,793
2012-2013	23,284	-	3,466	19,818
2011-2012	22,619	-	3,020	19,599
2010-2011	20,970	-	2,570	18,400
2009-2010	40,886	-	5,802	35,084
2008-2009	55,142	-	55,142	-
Total	<u>\$ 399,794</u>	<u>\$ 1,628,829</u>	<u>\$ 1,698,352</u>	<u>330,271</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>180,000</u>
Ad valorem taxes receivable, net				<u>\$ 150,271</u>
Ad Valorem Taxes Receivable, Net				
City School Fund				<u>\$ 150,271</u>
Reconciliation With Revenues:				
Ad valorem taxes - City School Supplement Fund				\$ 1,597,073
Amounts written off per statute of limitations				(55,142)
Collection of prior taxes written off				2,480
Releases allowed				146,643
Interest and penalties collected				<u>7,298</u>
Total collections and credits				<u>\$ 1,698,352</u>

CITY OF THOMASVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide		Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles
Original Levy:				
Total property taxed at current year's rate	\$ 803,701,355	\$ 0.20	\$ 1,605,022	\$ 1,482,626
Registered motor vehicles taxed at prior year's rate	<u>11,903,511</u>	0.20	<u>23,807</u>	<u>-</u>
Total	<u>815,604,866</u>		<u>1,628,829</u>	<u>1,482,626</u>
Total property valuation	<u>\$ 815,604,866</u>			
Net Levy			1,628,829	1,482,626
Less uncollected taxes at June 30, 2019			<u>82,192</u>	<u>82,085</u>
Current Year's Taxes Collected			<u>\$ 1,546,637</u>	<u>\$ 1,400,541</u>
Current Levy Collection Percentage			<u>94.95%</u>	<u>94.46%</u>

CITY OF THOMASVILLE, NORTH CAROLINA

PROPERTY VALUATION AND LEVY OF TOP TEN COMPANIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Real Value</u>	<u>Personal Value</u>	<u>Total Value</u>	<u>City Levy</u>	<u>School Levy</u>
Unilin Flooring NC/North America	\$ 37,458,660	\$ 39,130,219	\$ 76,588,879	\$ 459,533	\$ -
Ennis Paint Inc.	3,812,100	27,129,546	30,941,646	185,650	-
Old Dominion Freight Lines	5,671,150	24,454,277	30,125,427	180,753	-
Duke Energy Corp	-	20,858,880	20,858,880	125,153	41,718
Wal-Mart	14,942,400	2,308,031	17,250,431	103,502	-
Coveris Flexibles	-	13,422,260	13,422,260	80,534	26,845
Shelba D. Johnson Trucking Inc.	3,015,300	10,064,876	13,080,176	78,482	18,800
Brass Craft/Thomas MFG	2,447,800	10,314,899	12,762,699	76,576	25,526
CV Products/SV Plastics	5,863,920	6,829,919	12,693,839	76,164	-
North State Telephone Co.	-	7,612,705	7,612,705	45,676	15,225
Total	<u>\$ 73,211,330</u>	<u>\$ 162,125,612</u>	<u>\$ 235,336,942</u>	<u>\$ 1,412,023</u>	<u>\$ 128,114</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, 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 accompanying 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 City of Thomasville as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Thomasville's basic financial statements, and have issued our report thereon dated November 22, 2019. Our report includes a reference to other auditors who audited the financial statements of the City of Thomasville Board of Education and the City of Thomasville ABC Board, as described in our report on the City of Thomasville's financial statements. The financial statements of the City of Thomasville ABC Board and the Thomasville Tourism Commission 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 City of Thomasville'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 City of Thomasville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thomasville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2019

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Thomasville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 City of Thomasville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the City of Thomasville 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 City of Thomasville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Thomasville'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, non-compliance 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 non-compliance 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 a 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. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2019

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With The Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, North Carolina

Report On Compliance for Each Major State Program

We have audited the City of Thomasville, North Carolina's, 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 each of the City of Thomasville's major state programs for the year ended June 30, 2019. The City of Thomasville's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Thomasville's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 City of Thomasville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major State Program

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

Report On Internal Control Over Compliance

Management of the City of Thomasville 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 City of Thomasville's 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Thomasville'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, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2019

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Drinking Water State Revolving Fund Cluster	66.468

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for
major state programs

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act?

No

Identification of major state programs:

Program Name

North Carolina Rural Building Reuse

2. Financial Statements Findings

None reported.

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

None reported.

CITY OF THOMASVILLE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

No prior year findings.

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Awards:					
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
Clean Water State Revolving Fund Cluster:					
Clean Water State Revolving Loan	66.458	CS370619-06	\$ 17,496	\$ -	\$ -
Total Clean Water State Revolving Fund Cluster			<u>17,496</u>	<u>-</u>	<u>-</u>
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Loan	66.468	H-LRX-F-17-1903	50,374	-	-
Capitalization Grants for Drinking Water State Revolving Loan	66.468	H-LRX-F-16-1909	<u>1,506,446</u>	<u>-</u>	<u>-</u>
Total Drinking Water State Revolving Fund Cluster			<u>1,556,820</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Drug Enforcement Administration					
Equitable Sharing Program	16.922		<u>20,180</u>	<u>-</u>	<u>-</u>
<u>Offices, Boards, and Divisions - U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Public Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4393DR-NC; 4412DR-NC	<u>112,948</u>	<u>33,197</u>	<u>-</u>
State Grants:					
<u>N.C. Department of Commerce</u>					
NC Rural Building Reuse - Downtown Revitalization		2018-076-1257-1534	-	175,000	-
NC Rural Building Reuse		2017-088-3201-2587	<u>-</u>	<u>500,000</u>	<u>-</u>
<u>N.C. Department of Transportation</u>					
Powell Bill	DOT-4	32570	<u>-</u>	<u>791,798</u>	<u>-</u>
					<u>\$ -</u>
Total federal grants			<u>\$ 1,707,444</u>		
Total state grants				<u>\$ 1,499,995</u>	

Notes to the 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 City of Thomasville 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 City of Thomasville, it is not intended and does not present the financial position, changes in net position or cash flows of the City of Thomasville.

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

(3) Loans Outstanding:

The City of Thomasville had the following loan balances outstanding at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

Program Title	CFDA Number	Pass-Through Grantor's Number	Amount Outstanding
Clean Water State Revolving Loan	66.458	CS370619-03	\$ 4,857,383
Drinking Water State Revolving Loan	66.468	H-LRX-F-17-1903	\$ 363,504
Drinking Water State Revolving Loan	66.468	H-LRX-F-16-1909	\$ 2,585,671