

**TOWN OF YADKINVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**

# TOWN OF YADKINVILLE, NORTH CAROLINA

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**TOWN OF YADKINVILLE, NORTH CAROLINA**

**MEMBERS OF BOARD OF COMMISSIONERS**

Monta Davis-Oliver  
Tony Hall

Chris Matthews

Richie Parker  
Scott Winebarger

**TOWN OFFICIALS**

Thomas E. Norman, Jr..... Mayor

Perry Williams..... Town Manager

Dina S. Reavis ..... Finance Officer

Sheila Weathers..... Town Clerk

..... Assistant Town Manager



cannon&company  
Certified Public Accountants L.L.P.

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Yadkinville  
Yadkinville, 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 unit, each major fund, and the aggregate remaining fund information of the Town of Yadkinville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Yadkinville, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 10 through 19, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 60 and 61, the local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 58 and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Yadkinville's basic financial statements. The introductory information, combining and individual non-major fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial 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. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of the Town of Yadkinville'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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Yadkinville's internal control over financial reporting and compliance.

*Cannon & Company, S.L.P.*

October 28, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# TOWN OF YADKINVILLE

“A TOWN IN PROGRESS”

## Management’s Discussion and Analysis

As management of the Town of Yadkinville, we offer readers of the Town of Yadkinville’s financial statements this narrative overview and analysis of the financial activities of the Town of Yadkinville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Yadkinville’s financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the Town of Yadkinville *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,433,706 (*net position*).
- The government’s total net position increased by \$1,610,643, primarily due to increases in net position of the governmental fund activities (\$1,552,754) and business-type activities (\$57,889), respectively.
- As of the close of the current fiscal year, the Town of Yadkinville’s governmental funds reported combined ending fund balances of \$3,056,922 an increase of \$192,967 in comparison with the prior year. Approximately 19.0 percent of this total amount, or \$580,991 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,475,931 or 91.75 percent of total general fund expenditures for the fiscal year.
- The Town of Yadkinville’s total debt decreased by \$46,667 during the current fiscal year.

### Overview of the Financial Statements

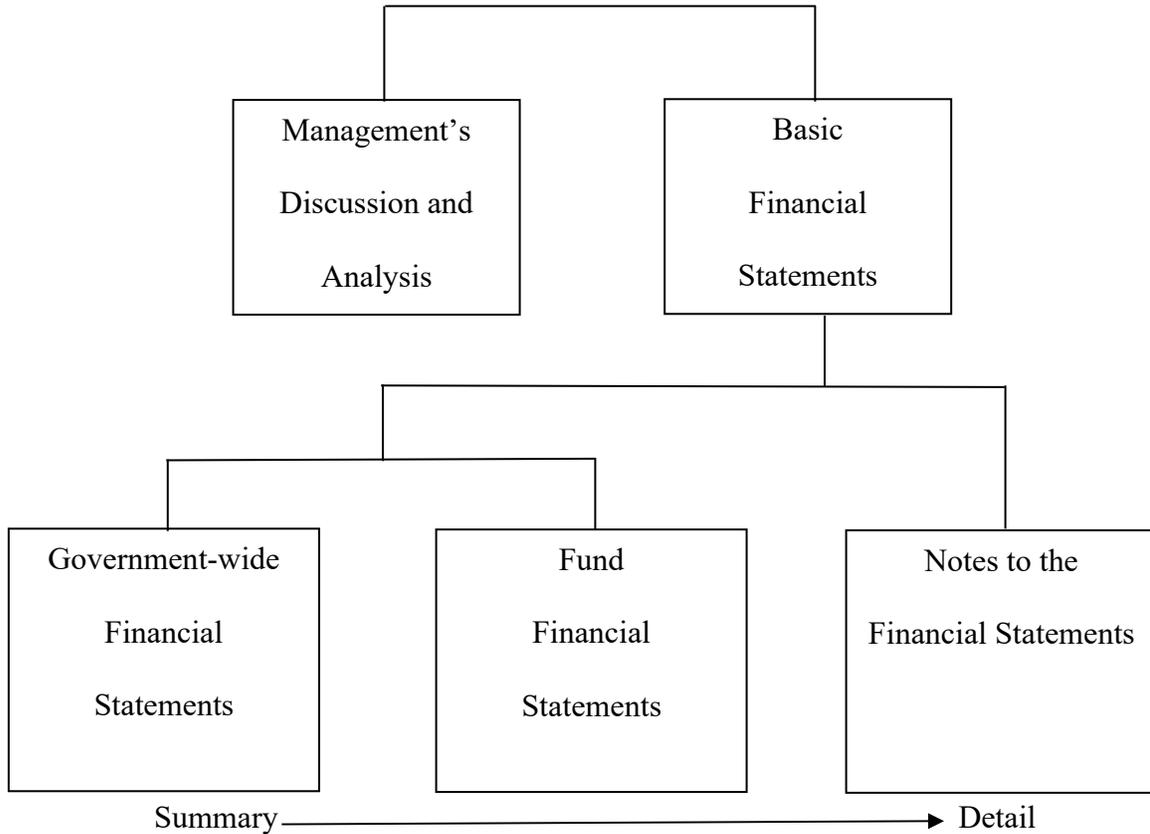
This discussion and analysis are intended to serve as an introduction to the Town of Yadkinville’s basic financial statements. The Town of Yadkinville’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial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

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### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Yadkinville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Yadkinville can be divided into two categories: governmental funds and proprietary funds.

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

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Proprietary Funds** – The Town of Yadkinville has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Yadkinville uses an enterprise fund to account for its water and sewer activity. This fund is 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 begin on page 32 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Yadkinville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

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

**Government-Wide Financial Analysis**

**Town of Yadkinville's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,151,959	\$ 2,909,469	\$ 3,471,982	\$ 3,292,052	\$ 6,623,941	\$ 6,201,521
Capital assets	5,325,498	3,798,013	11,751,457	11,981,246	17,076,955	15,779,259
Deferred outflows of resources	336,289	270,068	209,582	143,761	545,871	413,829
Total assets	8,813,746	6,977,550	15,433,021	15,417,059	24,246,767	22,394,609
Long-term liabilities outstanding	1,069,824	1,145,745	289,819	215,039	1,359,643	1,360,784
Other liabilities	177,829	136,115	133,222	245,898	311,051	382,013
Deferred inflows of resources	135,884	13,382	6,483	10,514	142,367	23,896
Total liabilities	1,383,537	1,295,242	429,524	471,451	1,813,061	1,766,693
Net position:						
Invested in capital assets	5,092,166	3,518,014	11,751,457	11,981,246	16,843,623	15,499,260
Restricted	580,991	556,783	-	-	580,991	556,783
Unrestricted	1,757,052	1,607,511	3,252,040	2,964,362	5,009,092	4,571,873
Total net position	\$ 7,430,209	\$ 5,682,308	\$ 15,003,497	\$ 14,945,608	\$ 22,433,706	\$ 20,627,916

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Yadkinville exceeded liabilities and deferred inflows by \$22,433,706 as of June 30, 2019. The Town's net position increased by \$1,610,643 for the fiscal year ended June 30, 2019. However, the largest portion, 75%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Yadkinville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Yadkinville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Yadkinville's net position, \$580,991, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,009,092 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.18%.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Town of Yadkinville's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 11,433	\$ 10,054	\$ 2,576,696	\$ 2,494,702	\$ 2,588,129	\$ 2,504,756
Operating grants	146,514	189,825	-	-	146,514	189,825
Capital grants	1,232,525	-	-	-	1,232,525	-
General revenues:						
Property taxes	1,253,547	1,199,867	-	-	1,253,547	1,199,867
Other taxes	34,397	32,742	-	-	34,397	32,742
Grants and contributions not restricted to specific programs	1,342,169	1,260,223	-	-	1,342,169	1,260,223
Permits and fees	122,831	121,452	-	-	122,831	121,452
Other	51,533	37,133	31,190	3,900	82,723	41,033
Total revenues	4,194,949	2,851,296	2,607,886	2,498,602	6,802,835	5,349,898
Expenses:						
General government	712,341	707,082	-	-	712,341	707,082
Public safety	1,143,690	1,154,625	-	-	1,143,690	1,154,625
Transportation	375,792	354,229	-	-	375,792	354,229
Environmental protection	240,735	212,563	-	-	240,735	212,563
Culture and recreation	160,245	156,626	-	-	160,245	156,626
Water and sewer	-	-	2,549,997	2,419,529	2,549,997	2,419,529
Interest on long-term debt	9,392	11,435	-	-	9,392	11,435
Total expenses	2,642,195	2,596,560	2,549,997	2,419,529	5,192,192	5,016,089
Increase in net position	1,552,754	254,736	57,889	79,073	1,610,643	333,809
Net position, beginning - restated	5,877,455	5,427,572	14,945,608	14,866,535	20,823,063	20,294,107
Net position, June 30	\$ 7,430,209	\$ 5,682,308	\$ 15,003,497	\$ 14,945,608	\$ 22,433,706	\$ 20,627,916

**Governmental activities:** Governmental activities increased the Town's net position by \$1,552,754, thereby accounting for 96.4% of the total growth in the net position of the Town of Yadkinville.

**Business-type activities:** Business-type activities increased the Town's net position by \$57,889, accounting for 3.6% of the total growth in the government's net position

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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**Financial Analysis of the Town of Yadkinville's Funds**

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

**Governmental Funds:** The focus of the Town of Yadkinville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Yadkinville's financing requirements.

The general fund is the chief operating fund of the Town of Yadkinville. At the end of the current fiscal year, the Town of Yadkinville's fund balance available in the General Fund was \$2,475,931 while total fund balance was \$2,827,249. The Town currently has available fund balance of 91.75% of general fund expenditures, and total fund balance represents 104.77% of the same amount.

At June 30, 2019, the governmental funds of Town of Yadkinville reported a combined fund balance of \$3,056,922 with a net increase in fund balance of \$192,967.

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

**Proprietary Funds:** The Town of Yadkinville'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 \$3,252,040. The total change in net position for the Water and Sewer Fund was \$57,889. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Yadkinville's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town of Yadkinville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$17,076,955 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles and construction in progress.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Town of Yadkinville's Capital Assets**  
(Net of depreciation)

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,503,271	\$ 1,311,743	\$ 1,003,196	\$ 1,003,196	\$ 2,506,467	\$ 2,314,939
Construction in progress	-	328,581	-	11,138	-	-
Buildings	976,678	1,010,117	-	-	976,678	1,010,117
Other improvements	442,446	473,372	-	-	442,446	473,372
Automotive equipment	98,075	59,338	45,100	66,783	143,175	126,121
Other equipment	97,515	143,195	444,861	307,362	542,376	450,557
Water and sewer system	-	-	10,258,300	10,592,767	10,258,300	10,592,767
Infrastructure	2,207,513	666,831	-	-	2,207,513	666,831
<b>Total</b>	<b>\$ 5,325,498</b>	<b>\$ 3,993,177</b>	<b>\$ 11,751,457</b>	<b>\$ 11,981,246</b>	<b>\$ 17,076,955</b>	<b>\$ 15,974,423</b>

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

**Long-term Debt.** As of June 30, 2019, the Town of Yadkinville has an installment purchase agreement totaling \$233,332. The installment purchase agreement was issued to finance a park project. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Yadkinville is \$24,047,924

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT’S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Town of Yadkinville’s Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 93,198	\$ 97,441	\$ 91,482	\$ 91,615	\$ 184,680	\$ 189,056
Direct placement installment purchase agreement	233,332	279,998	-	-	233,332	279,998
Pension related debt (LGERS)	317,514	222,265	249,476	174,637	566,990	396,902
Pension related debt (LEO)	527,321	651,525	-	-	527,321	651,525
<b>Total</b>	<b>\$ 1,171,365</b>	<b>\$ 1,251,229</b>	<b>\$ 340,958</b>	<b>\$ 266,252</b>	<b>\$ 1,512,323</b>	<b>\$ 1,517,481</b>

The Town of Yadkinville’s total debt decreased by \$46,667 during the past fiscal year.

Additional information regarding the Town of Yadkinville’s long-term debt can be found in Note B of this report.

**Economic Factors and Next Year’s Budgets and Rates**

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

- Four manufacturing companies located in Yadkinville that continue to provide employment: Unifi (with continued expansion), B & G Foods, Lydall, and Indera Mills
- Several new small businesses have opened in Yadkinville: Boone Doggies and Country Corner Cafe
- The Yadkin Arts Council is continuing to grow by adding new facilities and providing education, entertainment, and dining for the community.
- Yadkin County’s unemployment rate has increased to 4.0% compared to last year’s rate at 3.6% as of June 2019 and is slightly lower than the State average of 4.1%.
- New commercial and residential development
  - New Carolina Farm Credit Building on Hwy 601 N.
  - New Farm Bureau Building on Lee Ave/Isenhour
  - New Housing Development on McCleskey Dr.
  - Miller Ambulance Service on Carolina Ave.
  - Park View Townhomes on Tennessee St.
  - Hands of Hope/Yadkin Co. Health Dept.
  - New Sheriff’s Dept. Administrative Building
- Completion and implementation of the Town’s Comprehensive Plan
- Completion and implementation of the Town’s Unified Development Ordinance
- Continued downtown revitalization with Business Improvement Grants
- Completion of the N. Lee Avenue Sidewalk Project adding to the Town’s Pedestrian Plan
- Sewer line expansion and Annexation of Surry Community College and Carolina Farm Credit on Hwy 601 N

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** The General Fund is balanced with a tax rate of \$0.42 per \$100 valuation. This rate will provide approximately \$1,079,424 in property tax revenues. The property tax base is estimated to be \$262,250,617 which is a 3% increase over FY 2018-2019, and is realistically based on 2019 valuation information from the Yadkin County Tax Administrator. A penny on the tax rate is projected to generate about \$25,700 in revenue.

The FY 2019-2020 Adopted Budget for the General Fund totals \$2,703,769 which is approximately a 3% increase from the FY 2018-2019 Adopted Budget of \$2,626,099.

**Business - Type Activities:** The FY 2019-2020 Adopted Budget for the Water and Sewer Fund totals \$2,428,012. This is a 6% increase from the FY 2018-2019 Adopted Budget of \$2,293,475.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Perry Williams by phone at 336-679-8732, by e-mail at [pwilliams@yadkinville.org](mailto:pwilliams@yadkinville.org) or by mail at P.O. Box 816, Yadkinville, North Carolina 27055. The Town of Yadkinville's website is [www.yadkinville.org](http://www.yadkinville.org).

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yadkinville Tourism Authority
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,229,568	\$ 2,912,272	\$ 5,141,840	\$ 74,003
Restricted cash and cash equivalents	97,423	49,899	147,322	-
Taxes receivables (net)	20,949	-	20,949	-
Accrued interest receivable on taxes	1,685	-	1,685	-
Accounts receivable (net)	497,509	234,799	732,308	1,019
Unbilled receivables	-	155,418	155,418	-
Due from other governments	304,825	-	304,825	-
Inventories	-	119,594	119,594	-
Total current assets	3,151,959	3,471,982	6,623,941	75,022
Non-current assets:				
Capital assets (Note I):				
Land, non-depreciable improvements	1,503,271	1,003,196	2,506,467	-
Other capital assets, net of depreciation	3,822,227	10,748,261	14,570,488	-
Total capital assets	5,325,498	11,751,457	17,076,955	-
Total assets	8,477,457	15,223,439	23,700,896	75,022
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	336,289	209,582	545,871	-
Total deferred outflows of resources	336,289	209,582	545,871	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	39,929	16,749	56,678	-
Accrued salaries	17,621	15,435	33,056	-
Due to Tourism Authority	18,738	-	-	(18,738)
Customer deposits	-	49,899	49,899	-
Current portion of long-term liabilities	101,541	51,139	152,680	-
Total current liabilities	177,829	133,222	292,313	(18,738)
Long-term liabilities:				
Net pension liability	317,514	249,476	566,990	-
Total pension liability	527,321	-	527,321	-
Due in more than one year	224,989	40,343	265,332	-
Total liabilities	1,247,653	423,041	1,670,694	(18,738)
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	135,884	6,483	142,367	-
Total deferred inflows of resources	135,884	6,483	142,367	-
<b>NET POSITION</b>				
Net investment in capital assets	5,092,166	11,751,457	16,843,623	-
Restricted for:				
Care of Hinshaw Gardens	73,513	-	73,513	-
Stabilization by State Statute	327,408	-	327,408	-
Streets	180,070	-	180,070	-
Unrestricted	1,757,052	3,252,040	5,009,092	93,760
Total net position	\$ 7,430,209	\$ 15,003,497	\$ 22,433,706	\$ 93,760

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

Functions/Programs	Program Revenues						Net (Expense)		Yadkinville Tourism Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position		Total		
					Governmental Activities	Business-type Activities			
<b>Primary government:</b>									
Governmental Activities:									
General government	\$ 712,341	\$ 9,550	\$ 39,019	\$ -	\$ (663,772)	\$ -	\$ (663,772)	\$ -	-
Public safety	1,143,690	1,883	-	-	(1,141,807)	-	(1,141,807)	-	-
Transportation	375,792	-	88,130	1,232,525	944,863	-	944,863	-	-
Environmental protection	240,735	-	19,365	-	(221,370)	-	(221,370)	-	-
Cultural and recreation	160,245	-	-	-	(160,245)	-	(160,245)	-	-
Interest on long-term debt	9,392	-	-	-	(9,392)	-	(9,392)	-	-
Total governmental activities	2,642,195	11,433	146,514	1,232,525	(1,251,723)	-	(1,251,723)	-	-
Business-type activities:									
Water and sewer	2,549,997	2,576,696	-	-	-	26,699	26,699	-	-
Total business-type activities	2,549,997	2,576,696	-	-	-	26,699	26,699	-	-
Total primary government	\$ 5,192,192	\$ 2,588,129	\$ 146,514	\$ 1,232,525	(1,251,723)	26,699	(1,225,024)	-	-
Component unit:									
Yadkinville Tourism Authority	\$ 20,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	20,912
Total component unit	\$ 20,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	20,912
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,253,547	-	1,253,547	-	-
Other taxes					34,397	-	34,397	-	-
Grants and contributions not restricted to specific programs					1,342,169	-	1,342,169	-	-
Permits and fees					122,831	-	122,831	-	-
Contribution to capital project fund					-	25,000	25,000	-	-
Payment from Town of Yadkinville					-	-	-	-	34,397
Unrestricted investment earnings					13,915	6,190	20,105	527	-
Gain on sale of equipment					2,995	-	2,995	-	-
Miscellaneous					34,623	-	34,623	-	-
Total general revenues and transfers					2,804,477	31,190	2,835,667	-	34,924
Change in net position					1,552,754	57,889	1,610,643	-	14,012
Net position, previously reported					5,682,308	14,945,608	20,627,916	-	79,748
Restatement					195,147	-	195,147	-	-
Net position beginning, restated					5,877,455	14,945,608	20,823,063	-	79,748
Net position, ending					\$ 7,430,209	\$ 15,003,497	\$ 22,433,706	\$ -	93,760

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,158,774	\$ 70,794	\$ 2,229,568
Restricted cash and cash equivalents	23,910	73,513	97,423
Taxes receivable, net	58,523	-	58,523
Accounts receivable, net	58,881	438,628	497,509
Due from other funds	353,262	-	353,262
Due from other governments	304,825	-	304,825
Total assets	<u>\$ 2,958,175</u>	<u>\$ 582,935</u>	<u>\$ 3,541,110</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 36,044	\$ -	\$ 36,044
Accrued salaries	17,621	-	17,621
Due to other funds	-	353,262	353,262
Due to Yadkinville Tourism Development Authority	18,738	-	18,738
Total liabilities	<u>72,403</u>	<u>353,262</u>	<u>425,665</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	58,523	-	58,523
Total deferred inflows of resources	<u>58,523</u>	<u>-</u>	<u>58,523</u>
<b>FUND BALANCES</b>			
Restricted:			
Care of Hinshaw Gardens	-	73,513	73,513
Stabilization by State Statute	327,408	-	327,408
Streets	23,910	156,160	180,070
Unassigned	<u>2,475,931</u>	<u>-</u>	<u>2,475,931</u>
Total fund balances	<u>2,827,249</u>	<u>229,673</u>	<u>3,056,922</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 2,958,175</u>	<u>\$ 582,935</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 7,843,895	
Accumulated depreciation	<u>(2,518,397)</u>	5,325,498

Deferred outflows of resources related to pensions are not reported in the funds	336,289
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	1,685
Earned revenues considered deferred inflows of resources in fund statements	20,949
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Gross long-term debt	(326,530)
Net pension liability	(317,514)
Total pension liability	(527,321)
Deferred inflows of resources related to pensions are not reported in the funds	(135,884)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	<u>(3,885)</u>
Net position of governmental activities	<u>\$ 7,430,209</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,250,443	\$ -	\$ 1,250,443
Other taxes	34,397	-	34,397
Unrestricted intergovernmental	1,342,169	-	1,342,169
Restricted intergovernmental	89,630	1,291,824	1,381,454
Permits and fees	131,806	-	131,806
Investment earnings	12,109	1,806	13,915
Other revenues	37,661	-	37,661
Total revenues	<u>2,898,215</u>	<u>1,293,630</u>	<u>4,191,845</u>
<b>EXPENDITURES</b>			
Current:			
General government	629,649	37,819	667,468
Public safety	1,154,315	-	1,154,315
Transportation	320,975	1,243,119	1,564,094
Environmental protection	221,370	19,365	240,735
Cultural and recreation	315,429	-	315,429
Debt service	56,837	-	56,837
Total expenditures	<u>2,698,575</u>	<u>1,300,303</u>	<u>3,998,878</u>
Excess (deficiency) of revenues over expenditures	<u>199,640</u>	<u>(6,673)</u>	<u>192,967</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	5,579	(5,579)	-
Transfers to other funds	(70,525)	70,525	-
Total other financing sources (uses)	<u>(64,946)</u>	<u>64,946</u>	<u>-</u>
Net change in fund balance	134,694	58,273	192,967
Fund balances, beginning	<u>2,692,555</u>	<u>171,400</u>	<u>2,863,955</u>
Fund balances, ending	<u>\$ 2,827,249</u>	<u>\$ 229,673</u>	<u>\$ 3,056,922</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	192,967
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	1,514,317
Depreciation expense for governmental assets	<u>(181,994)</u>	1,332,323
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		80,198
Benefits paid and administrative expense for the LEOSSA are not included on the Statement of Activities		8,758
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in:		
Unavailable revenue for tax revenues		2,863
Interest on taxes receivable and loan		242
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.</p>		
Principal payments on long-term debt	46,667	
Change in accrued interest	<u>777</u>	47,444
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Change in compensated absences		4,242
Pension expense		<u>(116,283)</u>
Total changes in net position of governmental activities		<u><u>\$ 1,552,754</u></u>

## TOWN OF YADKINVILLE, 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			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,163,284	\$ 1,163,284	\$ 1,250,443	\$ 87,159
Other taxes	31,500	31,500	34,397	2,897
Unrestricted intergovernmental	1,196,250	1,193,950	1,342,169	148,219
Restricted intergovernmental	87,650	87,841	89,630	1,789
Permits and fees	118,650	118,650	131,806	13,156
Investment earnings	3,500	3,500	12,109	8,609
Other revenues	19,915	22,215	37,661	15,446
<b>Total revenues</b>	<b>2,620,749</b>	<b>2,620,940</b>	<b>2,898,215</b>	<b>277,275</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	656,753	680,863	629,649	51,214
Public safety	1,155,319	1,166,435	1,154,315	12,120
Transportation	337,565	348,165	320,975	27,190
Environmental protection	222,650	222,650	221,370	1,280
Cultural and recreation	126,450	318,102	315,429	2,673
Debt service	56,837	56,837	56,837	-
<b>Total expenditures</b>	<b>2,555,574</b>	<b>2,793,052</b>	<b>2,698,575</b>	<b>94,477</b>
Revenues over (under) expenditures	65,175	(172,112)	199,640	371,752
<b>Other financing sources (uses):</b>				
Transfers from Trust Fund	5,350	6,080	5,579	(501)
Transfer to Capital Project Fund	(70,525)	(70,525)	(70,525)	-
Total other financing sources (uses):	(65,175)	(64,445)	(64,946)	(501)
Fund balance appropriated	-	236,557	-	(236,557)
Net change in fund balance	\$ -	\$ -	134,694	134,694
Fund balances, beginning			2,692,555	
Fund balances, ending			\$ 2,827,249	

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2019

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,912,272
Restricted cash and cash equivalents	49,899
Accounts receivable (net) - billed	234,799
Unbilled receivables	155,418
Inventories	<u>119,594</u>
Total current assets	<u>3,471,982</u>
Noncurrent assets:	
Capital assets:	
Land	1,003,196
Other capital assets, net of depreciation	<u>10,748,261</u>
Capital assets	<u>11,751,457</u>
Total noncurrent assets	<u>11,751,457</u>
Total assets	<u>\$ 15,223,439</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 209,582
Total deferred outflows of resources	<u>\$ 209,582</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 16,749
Accrued payroll	15,435
Current installments of long-term debt	51,139
Liabilities paid from restricted assets:	
Customer deposits	<u>49,899</u>
Total current liabilities	<u>133,222</u>
Noncurrent liabilities:	
Net pension liability	249,476
Long-term debt, less current installments	<u>40,343</u>
Total liabilities	<u>\$ 423,041</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 6,483
Total deferred inflows of resources	<u>\$ 6,483</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 11,751,457
Unrestricted	<u>3,252,040</u>
Total net position	<u>\$ 15,003,497</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Water and sewer charges	\$ 2,504,739
Water and sewer taps	19,131
Reconnection fees and late charges	9,376
Other operating revenues	43,450
<b>Total operating revenues</b>	<u>2,576,696</u>
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Administration	381,749
Water plant	490,803
Sewer plant	325,714
Laboratory	116,883
Water/sewer operations	579,899
County water/sewer line operations	30,308
Depreciation	624,641
<b>Total operating expenses</b>	<u>2,549,997</u>
<b>Operating income</b>	<u>26,699</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	6,190
Contribution to capital project fund	25,000
<b>Total nonoperating revenues</b>	<u>31,190</u>
<b>Change in net position</b>	57,889
<b>Total net position, previously reported</b>	<u>14,945,608</u>
<b>Total net position, ending</b>	<u>\$ 15,003,497</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2019

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,496,916
Cash paid for goods and services	(1,140,078)
Cash paid to or on behalf of employees for services	(793,465)
Customer deposits received	14,100
Customer deposits returned	(10,680)
Other operating revenues	72,786
Net cash provided by operating activities	<u>639,579</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(494,866)
Net cash used by capital and related financing activities	<u>(494,866)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Contribution to capital project	25,000
Interest income	6,190
Net cash provided by investing activities	<u>31,190</u>
Net increase in cash and cash equivalents	175,903
Balances, beginning	<u>2,786,268</u>
Balances, ending	<u>\$ 2,962,171</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (CONTINUED)  
For the Fiscal Year Ended June 30, 2019

	<b>Water and Sewer Fund</b>
Reconciliation of operating earnings to net cash provided by operating activities	
Operating earnings	\$ 26,699
Adjustments to reconcile operating earnings to net cash provided by operating activities:	
Depreciation	624,641
Changes in assets and liabilities:	
Increase in accounts receivable	(6,993)
Decrease in inventories	2,966
Increase in deferred outflows of resources - pensions	(65,821)
Increase in net pension liability	74,837
Decrease in deferred inflows of resources - pensions	(4,031)
Decrease in accounts payable and accrued liabilities	(31,441)
Increase in accrued salaries	15,435
Increase in customer deposits	3,420
Decrease in accrued vacation pay	(133)
Total adjustments	612,880
Net cash provided by operating activities	\$ 639,579

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Yadkinville, North Carolina (Town) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**Reporting Entity**

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

**Yadkinville Tourism Authority**

The members of the Yadkinville Tourism Development Authority's governing board are appointed by the Town. The Yadkinville Tourism Development Authority (Authority) receives revenue through a six percent occupancy tax, which is levied and collected by the Town. The Town remits the taxes collected to the authority, net of administration and collection costs not to exceed three percent of collections up to \$500,000, and one percent thereafter. The Authority, which has a June 30 year-end, is presented as if it were a governmental fund.

**Basis of Presentation**

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

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

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

**Hinshaw Gardens Trust Fund.** This fund is used to account for the endowment received and for which earnings are required to be used for the maintenance of Hinshaw Gardens.

**Capital Project Funds.** These funds are used to account for construction of sidewalks on North Lee Street and Main Street, Yadkinville refuse disposal project and the Essential Single-Family Rehab Project.

The Town reports the following major enterprise funds:

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

The Town reports the following fund type:

**Capital Project Fund – Water and Sewer.** This fund is used to account for sewer line extensions.

**Measurement Focus and Basis of Accounting**

All funds of the Town are accounted for on the cash basis of accounting during the year, and are converted at year end to the modified accrual or accrual basis of accounting in accordance with North Carolina General Statutes.

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Data**

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

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

**Deposits and Investments**

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

State law [G. S. 159-30(c)] authorizes the Town and the Tourism Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT—Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**Cash and Cash Equivalents**

The Town pools money from the general fund, the water and sewer fund, and all other funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Tourism Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4 for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets. Funds held in the Hinshaw Gardens Trust Fund are classified as restricted as the endowments received and related earnings are required to be used for the maintenance of Hinshaw Gardens. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Yadkinville Restricted Cash

Governmental Activities		
General Fund	Powell Bill - Streets	\$ 23,910
Hinshaw Gardens Trust Fund	Care of Hinshaw Gardens	<u>73,513</u>
Total governmental activities		<u>97,423</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	<u>49,899</u>
Total Business-type Activities		<u>49,899</u>
Total Restricted Cash		<u><u>\$ 147,322</u></u>

**Ad Valorem Taxes Receivable**

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

**Allowances for Doubtful Accounts**

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories of the Town consist of expendable parts and supplies, and are valued at cost (first in, first out), which approximates market.

**Capital Assets**

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	15-50 years
Improvements	10-40 years
Automotive equipment	5 years
Other equipment	5-10 years
Infrastructure	50 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion which is pension deferrals for the 2019 fiscal year.. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

**Long Term Obligations**

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

The vacation policy of the Town provides that earned vacation may be accumulated up to a maximum of 40 vacation days. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the vacation is earned. The Town has assumed a first in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year had been designated as a current liability in the government-wide financial statements.

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

**Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Care of Hinshaw Gardens – portion of fund balance that is restricted for the maintenance of Hinshaw Gardens.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

“restricted by State Statute.” *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids that are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote of quorum of the Town’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

**Defined Benefit Cost-Sharing Plans**

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS**

**Assets**

**Deposits**

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

At June 30, 2019, the Town's deposits had a carrying amount of \$4,420,183 and a bank balance of \$4,699,448. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$48. At June 30, 2019, the Tourism Authority's deposits had a carrying amount of \$74,003 and a bank balance of \$74,003. The entire balance was covered by federal depository insurance.

**Investments**

At June 30, 2019, the Town had \$868,931 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year June 30, 2019 are net of the following allowance for doubtful accounts:

General Fund - taxes receivable	\$ 37,574
Enterprise Fund - accounts receivable	<u>1,500</u>
Total	<u><u>\$ 39,074</u></u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,311,743	\$ 191,528	\$ -	\$ 1,503,271
Construction in progress	328,581	1,243,119	1,571,700	-
Total capital assets not being depreciated	<u>1,640,324</u>	<u>1,434,647</u>	<u>1,571,700</u>	<u>1,503,271</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,607,592	-	-	1,607,592
Other improvements	823,049	-	-	823,049
Automotive equipment	764,608	75,076	51,753	787,931
Other equipment	780,752	4,592	-	785,344
Infrastructure	765,009	1,571,700	-	2,336,709
Total capital assets being depreciated	<u>4,741,010</u>	<u>1,651,368</u>	<u>51,753</u>	<u>6,340,625</u>
<b>Less accumulated depreciation for:</b>				
Buildings	597,475	33,439	-	630,914
Other improvements	349,677	30,926	-	380,603
Automotive equipment	705,270	36,339	51,753	689,856
Other equipment	637,557	50,272	-	687,829
Infrastructure	98,178	31,018	-	129,196
Total accumulated depreciation	<u>2,388,157</u>	<u>181,994</u>	<u>51,753</u>	<u>2,518,398</u>
Total capital assets being depreciated, net	<u>2,352,853</u>			<u>3,822,227</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 3,993,177</u>			<u>\$ 5,325,498</u>

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

General government	\$ 41,527
Public safety	50,701
Transportation	54,482
Cultural and recreation	35,284
Total depreciation expense	<u>\$ 181,994</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,003,196	\$ -	\$ -	\$ 1,003,196
Construction in progress	11,138	-	11,138	-
Total capital assets not being depreciated	<u>1,014,334</u>	<u>-</u>	<u>11,138</u>	<u>1,003,196</u>
<b>Capital assets being depreciated:</b>				
Water and sewer system	22,433,238	205,606	-	22,638,844
Automotive equipment	223,685	-	-	223,685
Other equipment	2,485,208	200,384	-	2,685,592
Total capital assets being depreciated	<u>25,142,131</u>	<u>405,990</u>	<u>-</u>	<u>25,548,121</u>
<b>Less accumulated depreciation for:</b>				
Water and sewer system	11,840,471	540,073	-	12,380,544
Automotive equipment	156,902	21,683	-	178,585
Other equipment	2,177,846	62,885	-	2,240,731
Total accumulated depreciation	<u>14,175,219</u>	<u>624,641</u>	<u>-</u>	<u>14,799,860</u>
Total capital assets being depreciated, net	<u>10,966,912</u>			<u>10,748,261</u>
<b>Water and Sewer fund capital assets, net</b>	<u>11,981,246</u>			<u>11,751,457</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 11,981,246</u>			<u>\$ 11,751,457</u>

**Liabilities**

**Pension Plan and Postemployment Obligations**

**Local Governmental Employees' Retirement System**

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Yadkinville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Yadkinville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.80% 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 Town of Yadkinville were \$142,424 for the year ended June 30, 2019.

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

At June 30, 2019, the Town reported a liability of \$566,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town’s proportion was 0.0239%, which was an increase of 0.0021% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$152,764. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 87,473	\$ 2,935
Changes of assumptions	150,457	-
Net difference between projected and actual earnings on pension plan investments	77,831	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,825	11,799
Town contributions subsequent to the measurement date	142,424	-
Total	<u>\$ 463,010</u>	<u>\$ 14,734</u>

\$142,424 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 148,928
2020	95,902
2021	17,571
2022	43,451
2023	-
Thereafter	-

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Actuarial Assumptions.** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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:

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,361,958	\$ 566,990	\$ (97,299)

**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 Town of Yadkinville administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>14</u></u>

**Summary of Significant Accounting Policies**

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

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

**Actuarial Assumptions**

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

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

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

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Contributions**

The Town is required by Article 12D of Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The town paid \$8,409 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$527,321. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$30,735.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 65,169	\$ 109,741
Changes of assumptions	17,692	17,892
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 82,861</u>	<u>\$ 127,633</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ (9,985)
2021	(9,985)
2022	(9,637)
2023	(15,165)
2024	-
Thereafter	-

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Sensitivity of the City’s total pension liability to changes in the discount rate**

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

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 561,892	\$ 527,321	\$ 495,252

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

	<b>2019</b>
Beginning balance	\$ 651,525
Service cost	19,916
Interest on the total pension liability	20,455
Changes of benefit terms	-
Differences between expected and actual experience in the measurements of the total pension liability	(139,890)
Changes in assumptions or other inputs	(16,276)
Benefit payments	(8,409)
Other changes	-
Ending balance of the total pension liability	<u>\$ 527,321</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 the period January 1, 2010 through December 31, 2014.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**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	\$ 152,764	\$ 30,735	\$ 183,499
Pension liability	566,990	527,321	1,094,311
Proportionate share of the net pension liability	0.02390%	n/a	
Deferred outflow of resources			
Differences between expected and actual experience	87,473	65,169	152,642
Changes in assumptions	150,457	17,692	168,149
Net difference between projected and actual earnings on plan investments	77,831	-	77,831
Changes in proportion and differences between contributions and proportionate share of contributions	4,825	-	4,825
Benefit payments and administrative costs paid subsequent to the measurement date	142,424	-	142,424
			-
Deferred inflows of resources			
Differences between expected and actual experience	2,935	109,741	112,676
Changes of assumptions	-	17,892	17,892
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,799	-	11,799

**Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

The town made contributions of \$31,935 for the reporting year. No amounts were forfeited.

**Other Employment Benefits**

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

**Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 142,424
Differences between expected and actual experience	152,642
Changes of assumptions	168,149
Net difference between projected and actual earnings on pension plan investments	77,831
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,825
Total	<u><u>\$ 545,871</u></u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

The balance in deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 58,523
Changes in assumptions	17,892	-
Differences between expected and actual experience	112,676	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,799	-
Total	<u>\$ 142,367</u>	<u>\$ 58,523</u>

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has property, general liability, auto liability, worker’s compensation and employee health coverages. The finance officer is individually bonded for \$50,000. In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond of \$100,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The Town does not carry flood insurance as the Town limits are not in a designated flood area.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Long-Term Obligations**

Changes in Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 97,441	\$ -	\$ 4,243	\$ 93,198	\$ 54,875
Direct placement installment purchase agreement	279,998	-	46,666	233,332	46,666
Net pension liability (LGERS)	222,265	95,249	-	317,514	-
Total pension liability (LEO)	<u>651,525</u>	<u>-</u>	<u>124,204</u>	<u>527,321</u>	<u>-</u>
Total governmental activities	<u>1,251,229</u>	<u>95,249</u>	<u>175,113</u>	<u>1,171,365</u>	<u>101,541</u>
Business-type activities:					
Compensated absences	91,615	-	133	91,482	51,139
Net pension liability (LGERS)	<u>174,637</u>	<u>74,839</u>	<u>-</u>	<u>249,476</u>	<u>-</u>
Total business-type activities	<u>266,252</u>	<u>74,839</u>	<u>133</u>	<u>340,958</u>	<u>51,139</u>
Total long-term obligations	<u>\$ 1,517,481</u>	<u>\$ 170,088</u>	<u>\$ 175,246</u>	<u>\$ 1,512,323</u>	<u>\$ 152,680</u>

In January, 2009, the Town entered into a direct placement installment purchase agreement in the amount of \$700,000 to finance the construction of a park. This financing agreement requires semi-annual principal payments of \$23,333 plus interest of 3.79% per annum.

Year Ending June 30	Principal	Interest	Total
2020	\$ 46,666	\$ 8,401	\$ 55,067
2021	46,667	6,633	53,300
2022	46,667	4,864	51,531
2023	46,667	3,095	49,762
2024	<u>46,665</u>	<u>1,326</u>	<u>47,991</u>
	<u>\$ 233,332</u>	<u>\$ 24,319</u>	<u>\$ 257,651</u>

The Town has a legal debt margin of \$24,047,924 at June 30, 2019.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Interfund Balances and Activity**

Transfers to/from other funds during the year ended June 30, 2019 were as follows:

<u>Transfer from</u>	<u>Amount</u>	<u>Transfer to</u>	<u>Amount</u>
Trust Fund	\$ 5,579	General Fund	\$ 5,579
General Fund	75,525	Capital Project Funds	75,525
Capital Project Funds	<u>19,393</u>	Enterprise Fund	<u>19,393</u>
	<u>\$ 100,497</u>		<u>\$ 100,497</u>

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

During the 2019 fiscal year, the Town made transfers amounting to \$5,579 from the Trust Fund to the General Fund for the expenses of Hinshaw Gardens, \$75,525 from the General Fund to Capital Project Funds for expenditures in Capital Project Funds, and \$19,393 from the Capital Project Funds to the Enterprise Fund for expenditures in Capital Project Funds.

**Fund Balance**

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

Total fund balance-General Fund	\$2,827,249
Less:	
Stabilization by State Statute	327,408
Streets-Powell Bill	23,910
Remaining Fund Balance	\$2,475,931

**NOTE C – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

**Joint Venture**

The Town of Yadkinville, City of Winston-Salem, Village of Clemmons, Town of Kernersville, Town of Lewisville, Town of Oak Ridge and Town of Bermuda Run jointly appoint the nine member Triad Municipal Alcoholic Beverage Control Board, which operates 15 liquor stores in Yadkin County, Forsyth County, Davie County and Guilford County. North Carolina General Statute 18B-805 requires the Triad Municipal Alcoholic Beverage Control Board to distribute its net income to the seven municipalities who appoint the Board and to Forsyth County. During fiscal year 2019, the Town of Yadkinville received \$120,556 distributed net income. The participating governments do not have equity interest in the joint venture. The Town of Yadkinville does not have financial responsibility for the Triad Board and is not held responsible for its debts. Audited financial statements for the Triad Municipal Alcoholic Beverage Control Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE C – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION (CONTINUED)**

**Jointly Governed Organization**

The Town, in conjunction with twelve counties and seventy-three other municipalities established the Piedmont Triad Regional Council (PTRC). The participating governments established the PRTC to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the PTRC's governing board. The Town paid membership fees of \$1,016 to PRTC during the fiscal year ended June 30, 2019.

**NOTE D – TRUST FUND**

The Town has received contributions from an individual and has assumed responsibility for the maintenance of Hinshaw Gardens, a park within the Town limits. The Town has included this endowment in a trust fund and will use the income from these contributions to assist in the maintenance of the park.

**NOTE E – SUMMARY OF SIGNIFICANT CONTINGENCIES**

**Indemnification Agreement**

The Town has entered into a Performance Agreement with a local business and the Rural Economic Development Center, Inc. (Center). The Center has committed \$500,000 in grant funds to be expended by the Town on water and sewer improvements for the benefit of the business. The agreement requires the business to provide a specified minimum number of jobs within certain time limits or the grant or a portion thereof, as specified in the agreement, is to be repaid to the Center by the business.

The Town has also entered into a separate Indemnification Agreement with the business whereby it has agreed to indemnify the business of its obligation to repay the Center should the business not meet the terms of the Performance Agreement. The Town has agreed to reimburse the Center all sums that may be due under the terms of the performance agreement, and to indemnify and hold the business harmless against any and all liabilities, costs and expenses including reasonable attorney fees under the agreement.

**Yadkinville Refuse Disposal Project**

The Town received notice from the North Carolina Division of Waste Management that the Town was being required by the state to perform an assessment on old landfills to determine if they are contaminated with hazardous materials, and if they are, to enact measures to contain the environmental damages. The NC Division of Waste Management will cover all costs of the project up to \$150,000 on a reimbursement basis.

**Federal and State Assisted Programs**

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under 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 moneys.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE F – RESTATEMENTS**

**Prior Period Adjustment**

During the fiscal year ended June 30, 2019, the Town determined that certain capitalizable items related to a capital project fund had been expensed in the Government Wide statements. Therefore, an adjustment to beginning governmental activities net position has been recorded to account for those items, the net effect of which increased beginning net position by \$195,147. The amounts were properly treated in the fund-wide statements; therefore, beginning fund balance was not affected.

**REQUIRED SUPPLEMENTARY  
FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

**TOWN OF YADKINVILLE, NORTH CAROLINA**

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

REQUIRED SUPPLEMENTARY INFORMATION

Last Six Fiscal Years\*

<b>Local Government Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Yadkinville's proportion of the net pension liability (asset) (%)	0.0239%	0.0260%	0.0255%	0.0277%	0.02733%	0.03040%
Yadkinville's proportion of the net pension liability (asset) (\$)	\$ 566,990	\$ 396,902	\$ 541,618	\$ 124,137	\$ (161,178)	\$ 366,437
Yadkinville's covered-employee payroll	\$ 1,643,594	\$ 1,693,040	\$ 1,628,907	\$ 1,687,689	\$ 1,725,167	\$ 1,661,547
Yadkinville's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.50%	23.44%	33.25%	7.36%	-9.34%	22.05%
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.

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
TOWN OF YADKINVILLE'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
Last Six Fiscal Years

<b>Local Government Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 142,424	\$ 129,336	\$ 124,895	\$ 108,482	\$ 115,063	\$ 118,636
Contributions in relation to the contractually required contribution	<u>142,424</u>	<u>129,336</u>	<u>124,895</u>	<u>108,482</u>	<u>115,063</u>	<u>118,636</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Town of Yadkinville's covered-employee payroll	\$ 1,857,896	\$ 1,643,594	\$ 1,693,040	\$ 1,628,907	\$ 1,687,689	\$ 1,725,167
Contributions as a percentage of covered-employee payroll	7.67%	7.87%	7.38%	6.66%	6.82%	6.88%

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
June 30, 2019

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 651,525	\$ 491,891	\$ 472,235
Service cost	19,916	18,185	18,132
Interest on the total pension liability	20,455	18,771	16,776
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement	(139,890)	105,273	-
Changes of assumptions or other inputs	(16,276)	28,580	(10,596)
Benefit payments	(8,409)	(11,175)	(4,656)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 527,321</u>	<u>\$ 651,525</u>	<u>\$ 491,891</u>

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

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
 June 30, 2019

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 527,321	\$ 651,525	\$ 491,891
Covered payroll	625,764	614,118	610,284
Total pension liability as a percentage of covered payroll	84.27%	106.09%	80.60%

Notes to the schedules:

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

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS SECTION**

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year, net of discounts		\$ 1,228,250	
Prior years		17,702	
Penalties and interest		4,491	
Total	<u>\$ 1,163,284</u>	<u>1,250,443</u>	<u>\$ 87,159</u>
Other taxes - room occupancy tax	<u>31,500</u>	<u>34,397</u>	<u>2,897</u>
Unrestricted intergovernmental:			
Local option sales taxes		597,390	
Telecommunications sales tax		22,967	
Utility franchise tax		555,354	
Piped natural gas tax		3,925	
Video franchise fee		15,938	
Solid waste disposal fee		2,649	
Beer and wine tax		12,980	
ABC profit distribution		120,556	
Tax refunds		10,410	
Total	<u>1,193,950</u>	<u>1,342,169</u>	<u>148,219</u>
Restricted intergovernmental:			
Powell Bill allocation		88,130	
ARC grant allocation		1,200	
Controlled substance tax		300	
Total	<u>87,841</u>	<u>89,630</u>	<u>1,789</u>
Permits and fees:			
Solid waste fees		122,081	
Building permits		9,550	
Special events permits		175	
Total	<u>118,650</u>	<u>131,806</u>	<u>13,156</u>
Investment earnings	<u>3,500</u>	<u>12,109</u>	<u>8,609</u>
Other revenues:			
Parking violations		395	
Motor vehicle tax fee		15,925	
Court costs		1,883	
Miscellaneous		19,458	
Total	<u>22,215</u>	<u>37,661</u>	<u>15,446</u>
Total revenues	<u>2,620,940</u>	<u>2,898,215</u>	<u>277,275</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries		42,500	
Employee benefits		3,558	
Telephone and postage		2,613	
Miscellaneous		9,315	
	<u>61,630</u>	<u>57,986</u>	<u>3,644</u>
Administration:			
Salaries		179,181	
Retiree stipend		18,042	
Employee benefits		62,637	
Professional services		35,085	
Training		1,575	
Telephone and postage		6,630	
Travel		945	
Maintenance and repairs		127	
Advertising		1,572	
Auto supplies		124	
Insurance and bonds		36,524	
Supplies and materials		6,922	
Contract services		29,421	
Dues and subscriptions		6,927	
Other departmental expense		447	
Capital outlay		151	
	<u>393,123</u>	<u>386,310</u>	<u>6,813</u>
Planning and zoning:			
Salaries		32,908	
Fees		600	
Employee benefits		12,517	
Professional fees		3,400	
Advertising		1,859	
Safety		90	
Supplies and materials		144	
Contract services		29,671	
Capital outlay		14,289	
Miscellaneous		3,940	
	<u>134,300</u>	<u>99,418</u>	<u>34,882</u>
Public buildings:			
Utilities		14,651	
Maintenance and repairs		16,044	
Supplies and materials		867	
Capital outlay		4,592	
Contracted services		6,386	
	<u>49,350</u>	<u>42,540</u>	<u>6,810</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Special appropriations:			
Sales taxes		6,454	
Bank charges		2,544	
Yadkinville Tourism Development Authority		34,397	
Total special appropriations	42,460	43,395	(935)
Total general government	680,863	629,649	51,214
Public safety:			
Salaries		692,190	
Employee benefits		275,162	
Advertising		100	
Training		43	
Telephone and postage		13,917	
Printing		201	
Utilities		7,663	
Travel		298	
Safety		268	
Maintenance and repairs		25,713	
Automotive supplies		26,668	
Supplies and materials		8,148	
Uniforms		4,514	
Contracted services		12,268	
Drug buy money		2,691	
Miscellaneous		9,395	
Capital outlay		75,076	
Total public safety	1,166,435	1,154,315	12,120
Transportation:			
Garage:			
Telephone		1,867	
Utilities		4,843	
Maintenance and repairs		994	
Supplies and materials		919	
Contracted services		6,008	
Total garage	18,950	14,631	4,319

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<b>Streets and highway:</b>			
Salaries		74,693	
Professional services		10,566	
Employee benefits		26,899	
Training		100	
Telephone and postage		859	
Utilities		42,565	
Maintenance and repair		53,732	
OSHA safety		578	
Automotive supplies		3,656	
Supplies and materials		2,260	
Uniforms		1,365	
Contracted services		4,701	
Miscellaneous		190	
	<u>241,135</u>	<u>222,164</u>	<u>18,971</u>
<b>Total streets and highways</b>			
<b>Powell Bill:</b>			
Maintenance and repairs		78,301	
Automotive supplies		4,324	
Supplies and materials		1,555	
	<u>88,080</u>	<u>84,180</u>	<u>3,900</u>
<b>Total Powell Bill</b>			
	<u>348,165</u>	<u>320,975</u>	<u>27,190</u>
<b>Total transportation</b>			
<b>Environmental protection:</b>			
<b>Sanitation:</b>			
Maintenance and repairs		345	
Contracted services		219,633	
Tipping fees		1,392	
	<u>222,650</u>	<u>221,370</u>	<u>1,280</u>
<b>Total environmental protection</b>			
<b>Cultural and recreation:</b>			
<b>Town park:</b>			
Salaries		18,995	
Professional services		3,050	
Employee benefits		7,145	
Utilities		5,021	
Maintenance and repairs		2,000	
Supplies and materials		707	
Contracted services		8,291	
Park events		4,399	
Miscellaneous		88	
Capital outlay		191,528	
	<u>243,522</u>	<u>241,224</u>	<u>2,298</u>
<b>Total town park</b>			

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Hinshaw Gardens:			
Salaries		4,312	
Employee benefits		320	
Utilities		235	
Maintenance and repairs		535	
Supplies and materials		250	
Miscellaneous		53	
Total Hinshaw Gardens	6,080	5,705	375
Special appropriations:			
Yadkin County Library		3,000	
Surry Community College		25,000	
Yadkin County Arts Council		15,000	
YMCA		1,000	
Mountain Valley Hospice		20,000	
Downtown Business Association		4,500	
Total special appropriations	68,500	68,500	-
Total cultural and recreation	318,102	315,429	2,673
Debt service:			
Principal retirement		46,667	
Interest and other charges		10,170	
Total debt service	56,837	56,837	-
Total expenditures	2,793,052	2,698,575	94,477
Revenues over (under) expenditures	(172,112)	199,640	371,752
Other financing sources (uses):			
Transfers from Trust Fund	6,080	5,579	(501)
Transfers to capital project	(70,525)	(70,525)	-
Total other financing sources	(64,445)	(64,946)	(501)
Fund balance appropriated	236,557	-	(236,557)
Revenues and other financing sources over expenditures and other uses	\$ -	134,694	\$ 134,694
Fund balances, beginning as previously reported		2,692,555	
Fund balances, ending		\$ 2,827,249	

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
June 30, 2019

	<b>Hinshaw Gardens Fund</b>	<b>Capital Project Funds</b>	<b>Total Non-major Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 73,513	\$ 70,794	\$ 144,307
Accounts receivable	-	438,628	438,628
	<u>73,513</u>	<u>438,628</u>	<u>438,628</u>
Total assets	<u><u>\$ 73,513</u></u>	<u><u>\$ 509,422</u></u>	<u><u>\$ 582,935</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Due to General Fund	\$ -	\$ 353,262	\$ 353,262
Fund balances	73,513	156,160	229,673
	<u>73,513</u>	<u>156,160</u>	<u>229,673</u>
Total liabilities and fund balances	<u><u>\$ 73,513</u></u>	<u><u>\$ 509,422</u></u>	<u><u>\$ 582,935</u></u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

	<b>Hinshaw Gardens Fund</b>	<b>Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Investment earnings	\$ 1,806	\$ -	\$ 1,806
Rents	225	-	225
State grant	-	1,289,709	1,289,709
Sales tax refund	-	1,890	1,890
	<u>2,031</u>	<u>1,291,599</u>	<u>1,293,630</u>
<b>EXPENDITURES</b>			
Professional services	-	94,596	94,596
Sales tax	-	18	18
Capital outlay - other improvements	-	1,205,689	1,205,689
	<u>-</u>	<u>1,300,303</u>	<u>1,300,303</u>
Revenues over (under) expenditures	<u>2,031</u>	<u>(8,704)</u>	<u>(6,673)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) from General Fund	<u>(5,579)</u>	<u>70,525</u>	<u>64,946</u>
Total other financing sources (uses)	<u>(5,579)</u>	<u>70,525</u>	<u>64,946</u>
Net change in fund balances	(3,548)	61,821	58,273
Fund balances, beginning	<u>77,061</u>	<u>94,339</u>	<u>171,400</u>
Fund balances, ending	<u>\$ 73,513</u>	<u>\$ 156,160</u>	<u>\$ 229,673</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Water and sewer charges		\$ 2,502,655	
Water and sewer taps		19,131	
Water reconnection fees and penalties		9,376	
Tax refunds		20,132	
County maintenance fees		6,563	
Miscellaneous revenue		38,895	
Sale of materials		2,860	
Total operating revenues	<u>\$ 2,291,475</u>	<u>2,599,612</u>	<u>\$ 308,137</u>
Nonoperating revenues:			
Interest earnings		6,190	
Total nonoperating revenues	<u>2,000</u>	<u>6,190</u>	<u>4,190</u>
Total revenues	<u>2,293,475</u>	<u>2,605,802</u>	<u>312,327</u>
<b>Expenditures:</b>			
Administration:			
Salaries		180,229	
Employee benefits		71,246	
Training		235	
Telephone and postage		7,042	
Maintenance and repairs		13,366	
Auto		1,321	
Supplies and materials		5,090	
Uniforms		735	
Contracted services		14,464	
Miscellaneous		397	
Sales tax		34,411	
Bank and credit card charges		4,939	
Insurance		46,759	
Total administration	<u>384,627</u>	<u>380,234</u>	<u>4,393</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Water plant:</b>			
Salaries		191,615	
Employee benefits		71,678	
Employee training		200	
Telephone and postage		2,599	
Utilities		70,879	
Maintenance and repairs		15,661	
OSHA safety		1,006	
Automotive supplies		1,564	
Supplies and materials		5,713	
Other supplies-chemicals		97,554	
Uniforms		2,639	
Contracted services		26,836	
Permits		1,560	
Miscellaneous		325	
Total water plant	<u>529,374</u>	<u>489,829</u>	<u>39,545</u>
<b>Sewer plant:</b>			
Salaries		79,936	
Employee benefits		29,218	
Employee training		75	
Telephone and postage		1,135	
Utilities		80,366	
Travel		-	
Maintenance and repairs		59,479	
Office supplies		270	
OSHA safety		314	
Automotive supplies		4,706	
Supplies and materials		1,734	
Other supplies-chemical		20,704	
Uniforms		1,152	
Contracted services		38,795	
Permits		4,375	
Miscellaneous		235	
Total sewer plant	<u>343,189</u>	<u>322,494</u>	<u>20,695</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Laboratory:			
Salaries		74,165	
Employee benefits		27,983	
Employee training		75	
Maintenance and repairs		83	
OSHA safety		314	
Automotive supplies		162	
Supplies and materials		3,982	
Other supplies-chemicals		4,350	
Uniforms		1,267	
Contracted services		2,507	
Dues and subscriptions		25	
Permits		1,805	
Other expense		598	
Total laboratory	<u>122,379</u>	<u>117,316</u>	<u>5,063</u>
Water/sewer operations:			
Salaries		280,790	
Professional services		1,224	
Employee benefits		114,138	
Employee training		1,120	
Telephone and postage		8,299	
Utilities		24,938	
Maintenance and repairs		54,640	
OSHA safety		2,348	
Automotive supplies		15,830	
Supplies and materials		26,986	
Uniforms		4,834	
Contracted services		44,087	
Permits		2,021	
Miscellaneous		1,009	
Total water/sewer operations	<u>675,311</u>	<u>582,264</u>	<u>93,047</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
County W/S line operations:			
Salaries		7,149	
Professional services		200	
Employee benefits		869	
Telephone and postage		738	
Utilities		7,249	
Maintenance and repairs		2,264	
Automotive supplies		3,333	
Supplies and materials		3,436	
Contracted services		1,789	
Equipment rental		3,281	
Miscellaneous		-	
Total county W/S line operations:	<u>71,615</u>	<u>30,308</u>	<u>41,307</u>
Capital outlay	<u>200,384</u>	<u>200,384</u>	<u>-</u>
Total expenditures	<u>2,326,879</u>	<u>2,122,829</u>	<u>204,050</u>
Revenues over expenditures	<u>(33,404)</u>	<u>482,973</u>	<u>516,377</u>
Other financing sources (uses)			
Transfer from Capital Project	19,393	19,394	(1)
Fund balance appropriated	14,011	-	(14,011)
	<u>33,404</u>	<u>19,394</u>	<u>(14,012)</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 502,367</u>	<u>\$ 502,365</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over (under) expenditures		\$ 502,367	
Reconciling items:			
Capital outlay		200,384	
Depreciation		(624,641)	
Transfer from capital project consolidated with Water & Sewer fund		(19,394)	
Increase in accounts receivable, net of allowance		6,993	
Decrease in inventory		(2,966)	
Increase in deferred outflows of resources - pension		65,821	
Decrease in compensated absences		133	
Increase in net pension liability		(74,839)	
Decrease in deferred inflows of resources - pensions		4,031	
Total reconciling items		<u>(444,478)</u>	
Change in net position		<u>\$ 57,889</u>	

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - WEST LEE STREET SIDEWALK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
EB-529 (State funds)	\$ 1,295,000	\$ 50,000	1,232,525	\$ 1,282,525	\$ (12,475)
Total revenues	<u>1,295,000</u>	<u>50,000</u>	<u>1,232,525</u>	<u>1,282,525</u>	<u>(12,475)</u>
<b>EXPENDITURES</b>					
Professional services	295,965	167,226	65,943	233,169	62,796
Capital outlay - other improvements	1,116,262	-	1,176,880	1,176,880	(60,618)
Contingency	545	-	-	-	545
Total expenditures	<u>1,412,772</u>	<u>167,226</u>	<u>1,242,823</u>	<u>1,410,049</u>	<u>2,723</u>
Revenue over (under) expenditures	<u>(117,772)</u>	<u>(117,226)</u>	<u>(10,298)</u>	<u>(127,524)</u>	<u>(9,752)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from General Fund	117,772	212,890	-	212,890	95,118
Total other financing sources	<u>117,772</u>	<u>212,890</u>	<u>-</u>	<u>212,890</u>	<u>95,118</u>
Total revenues and other financing sources over (under) expenditures	-	95,664	(10,298)	85,366	85,366
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>95,664</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 95,664</u>	<u>\$ 85,366</u>	<u>\$ 85,366</u>	<u>\$ 85,366</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**CAPITAL PROJECT FUND -MAIN STREET SIDEWALK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
Sales tax refund	\$ 2,000	\$ -	\$ 1,890	\$ 1,890	\$ (110)
Total revenues	<u>2,000</u>	<u>-</u>	<u>1,890</u>	<u>1,890</u>	<u>(110)</u>
<b>EXPENDITURES</b>					
Professional services	32,708	32,708	-	32,708	-
Capital outlay - other improvements	197,847	126,667	278	126,945	70,902
State sales tax	1,400	1,382	13	1,395	5
County sales tax	600	598	5	603	(3)
Total expenditures	<u>232,555</u>	<u>161,355</u>	<u>296</u>	<u>161,651</u>	<u>70,904</u>
Revenues under expenditures	<u>(230,555)</u>	<u>(161,355)</u>	<u>1,594</u>	<u>(159,761)</u>	<u>70,794</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from General Fund	230,555	160,030	70,525	230,555	-
Total other financing sources	<u>230,555</u>	<u>160,030</u>	<u>70,525</u>	<u>230,555</u>	<u>-</u>
Total revenues and other financing sources over expenditures	-	(1,325)	72,119	70,794	70,794
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>(1,325)</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ (1,325)</u>	<u>\$ 70,794</u>	<u>\$ 70,794</u>	<u>\$ 70,794</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**CAPITAL PROJECT FUND -YADKINVILLE REFUSE DISPOSAL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
State grant	\$ 150,000	\$ 26,757	\$ 19,365	\$ 46,122	\$ 103,878
Total revenues	<u>150,000</u>	<u>26,757</u>	<u>19,365</u>	<u>46,122</u>	<u>103,878</u>
<b>EXPENDITURES</b>					
Professional services	150,000	26,757	19,365	46,122	103,878
Total expenditures	<u>150,000</u>	<u>26,757</u>	<u>19,365</u>	<u>46,122</u>	<u>103,878</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**CAPITAL PROJECT FUND -ESSENTIAL SINGLE-FAMILY REHAB**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
State grant	\$ 245,000	\$ 68,229	\$ 37,819	\$ 106,048	\$ 138,952
Total revenues	<u>245,000</u>	<u>68,229</u>	<u>37,819</u>	<u>106,048</u>	<u>138,952</u>
<b>EXPENDITURES</b>					
Professional services	70,000	22,760	9,288	32,048	37,952
Capital outlay - other improvements	175,000	45,469	28,531	74,000	101,000
Total expenditures	<u>245,000</u>	<u>68,229</u>	<u>37,819</u>	<u>106,048</u>	<u>138,952</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**CAPITAL PROJECT FUND -SEWER LINE EXTENSIONS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
Donations	\$ 25,000	\$ -	\$ 25,000	\$ 25,000	\$ -
Total revenues	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>EXPENDITURES</b>					
Professional services	12,697	11,138	1,558	12,696	1
Capital outlay - other improvements	192,910	-	192,910	192,910	-
Total expenditures	<u>205,607</u>	<u>11,138</u>	<u>194,468</u>	<u>205,606</u>	<u>1</u>
Revenues under expenditures	<u>(180,607)</u>	<u>(11,138)</u>	<u>(169,468)</u>	<u>(180,606)</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from Water and Sewer Fund	200,000	200,000	-	200,000	-
Transfers to Water and Sewer Fund	(19,393)	-	(19,394)	(19,394)	1
Total other financing sources	<u>180,607</u>	<u>200,000</u>	<u>(19,394)</u>	<u>180,606</u>	<u>1</u>
Total revenues and other financing sources over expenditures	-	188,862	(188,862)	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>188,862</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 188,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**COMPONENT UNIT - YADKINVILLE TOURISM DEVELOPMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Occupancy tax	\$ 31,500	\$ 34,397	\$ 2,897
Investment earnings	-	527	527
Total revenues	<u>31,500</u>	<u>34,924</u>	<u>3,424</u>
<b>Expenditures:</b>			
Administration	2,925	2,061	864
Tourism related programs	6,624	6,601	23
Travel and tourism promotion	28,000	12,250	15,750
Total expenditures	<u>37,549</u>	<u>20,912</u>	<u>16,637</u>
Revenues over (under) expenditures	<u>(6,049)</u>	<u>14,012</u>	<u>20,061</u>
<b>Other financing sources (uses):</b>			
Fund balance appropriated	<u>6,049</u>	-	<u>(6,049)</u>
Total other financing sources (uses)	<u>6,049</u>	-	<u>(6,049)</u>
Net change in fund balances	<u>\$ -</u>	14,012	<u>\$ 14,012</u>
Fund balance, beginning		<u>79,748</u>	
Fund balance, ending		<u>\$ 93,760</u>	

## **OTHER SCHEDULES**

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This section contains additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy- Town Wide Levy

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 1,264,347	\$ 1,241,318	\$ 23,029
2017-2018	21,125	-	12,833	8,292
2016-2017	6,966	-	2,667	4,299
2015-2016	3,392	-	428	2,964
2014-2015	3,232	-	409	2,823
2013-2014	4,524	-	390	4,134
2012-2013	4,971	-	31	4,940
2011-2012	2,793	-	93	2,700
2010-2011	2,783	-	-	2,783
2009-2010	2,596	-	37	2,559
2008-2009	2,548	-	2,548	-
	<u>\$ 54,930</u>	<u>\$ 1,264,347</u>	<u>\$ 1,260,754</u>	<u>\$ 58,523</u>

Less: allowance for uncollectible accounts:

General Fund

37,574

Ad valorem taxes receivable - net

\$ 20,949

Reconciliation to revenues:

Ad valorem taxes - General Fund

\$ 1,250,443

Reconciling items:

Interest collected

(4,491)

Discounts and collection fees

10,610

Adjustments prior year taxes

1,644

Taxes written off

2,548

Total collections and credits

\$ 1,260,754

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
For the Fiscal Year Ending June 30, 2019

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 300,946,299	\$ 0.0042	\$ 1,263,694	\$ 1,123,802	\$ 139,892
Penalty			650	650	-
	<u>300,946,299</u>		<u>1,264,344</u>	<u>1,124,452</u>	<u>139,892</u>
Discoveries: current year taxes	13,044,364		54,786	54,786	-
Abatements	(13,391,610)		(54,783)	(54,783)	-
	<u>\$ 300,599,053</u>				
Net levy			1,264,347	1,124,455	139,892
Unpaid (by taxpayer) taxes at June 30, 2019			<u>(23,029)</u>	<u>(23,029)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,241,318</u>	<u>\$ 1,101,426</u>	<u>\$ 139,892</u>
Current levy collection percentage			<u>98.18%</u>	<u>97.95%</u>	<u>100.00%</u>

**COMPLIANCE SECTION**



cannon&company  
Certified Public Accountants L.L.P.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Town of Yadkinville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Yadkinville, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Yadkinville's basic financial statements, and have issued our report thereon dated October 28, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 Town of Yadkinville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Cannon & Company, S.L.P.*

October 28, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor  
and Members of the Board of Commissioners  
Town of Yadkinville  
Yadkinville, North Carolina

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

*Cannon & Company, L.L.P.*

October 28, 2019

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2019

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**Section I - Summary of Independent Auditors' Results**

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s)	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified	_____ Yes	_____ <u>X</u> 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)? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction (Federal-Aid Highway Program)

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
For the Year Ended June 30, 2019

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

Auditee qualified as low-risk auditee?        Yes   X   No

**Section II - Financial Statement Findings**

NONE NOTED

**Section III - Federal Award Findings and Questioned Costs**

NONE NOTED

**TOWN OF YADKINVILLE, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2019

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There were no prior year audit findings

**TOWN OF YADKINVILLE, 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	Federal (Direct and Pass-Through Expenditures	State Expenditures	Local Expenditures
<b>FEDERAL AWARDS</b>				
U.S. DEPARTMENT OF TRANSPORTATION Passed through N.C. Department of Transportation: Highway Planning and Construction	20.205	\$ 1,242,822	\$ -	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through N.C. Department of Housing and Urban Development: Home Investment Partnership Program	14.239	37,819	-	-
<b>Total Federal Awards</b>		<u>1,280,641</u>	<u>-</u>	<u>-</u>
<b>STATE AWARDS</b>				
N.C. Department of Environmental Quality Inactive Hazardous Sites - Pre-Regulatory Landfill Grants	N/A	-	19,364	
N.C. Department of Transportation Powell Bill	N/A	-	84,180	-
<b>Total State Awards</b>		<u>-</u>	<u>103,544</u>	<u>-</u>
<b>Total Federal and State Awards</b>		<u>\$ 1,280,641</u>	<u>\$ 103,544</u>	<u>\$ -</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Yadkinville 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 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Yadkinville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Yadkinville.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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