

**TOWN OF MADISON, NORTH CAROLINA**

Report of Audit

For the Fiscal Year Ended June 30, 2020



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## ***FINANCIAL SECTION***

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## **Independent Auditor's Report**

To the Honorable Mayor  
And the Board of Aldermen  
Madison, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Madison ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Madison ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Madison ABC Board were not audited in accordance with *Government Auditing Standards*.

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



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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Madison, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021 on our consideration of Town of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Madison's internal control over financial reporting and compliance.

*W Greene, PLLC*

Whiteville, North Carolina  
January 12, 2021

As management of the Town of Madison, we offer readers of the Town of Madison's financial statements this narrative overview and analysis of the financial activities of the Town of Madison for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

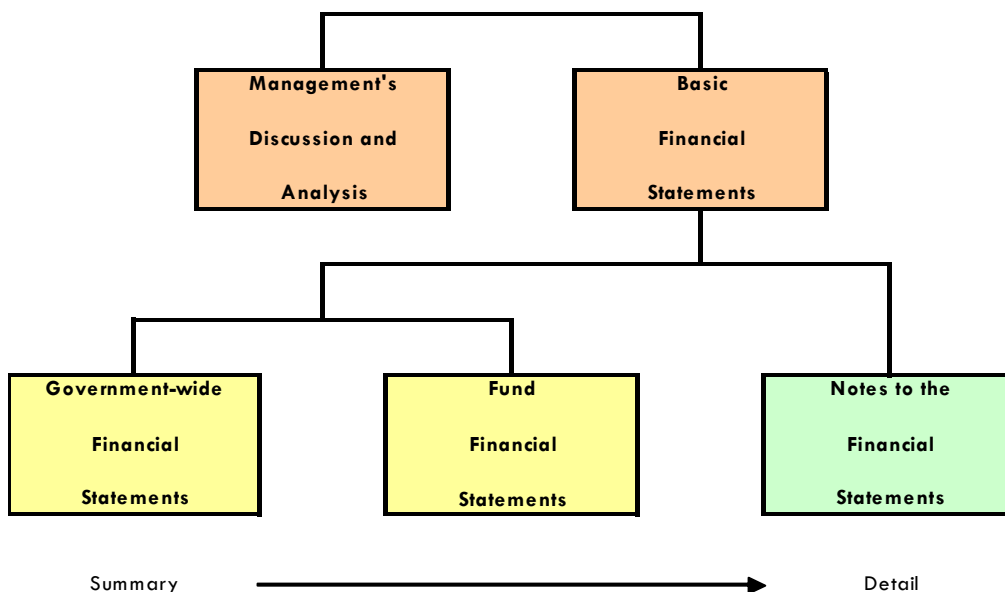
- The assets and deferred outflows of resources of the Town of Madison exceeded its liabilities and deferred inflows at the close of the fiscal year by \$7,040,513 (net position).
- The government's total net position decreased by \$159,291, primarily due to an decrease in the governmental activities.
- As of the close of the current fiscal year, the Town of Madison's governmental funds reported combined ending fund balances of \$3,140,890 with a net increase of \$206,056 in fund balance. Approximately 14.20 percent of this total amount, or \$445,952, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,658,780, or 88.34 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

#### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (pages 20 through 23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 24 through 36) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary statements.

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

### Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as administration, public safety, streets and highways, and inspections. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Madison. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 20 through 23 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 Madison, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Madison can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Madison adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 72 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 Madison's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

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

## Government-Wide Financial Analysis

## Town of Madison's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,232,546	\$ 3,037,932	\$ 939,408	\$ 1,024,902	\$ 4,171,954	\$ 4,062,834
Capital assets & other noncurrent assets	2,115,829	2,010,998	6,558,495	6,731,084	8,674,324	8,742,082
Deferred outflows of resources	1,175,436	497,528	179,195	65,931	1,354,631	563,459
Total assets and deferred outflows of resources	6,523,811	5,546,458	7,677,098	7,821,917	14,200,909	13,368,375
Long-term liabilities outstanding	4,705,588	3,308,520	1,692,751	2,020,588	6,398,339	5,329,108
Other liabilities	44,854	64,975	359,701	350,835	404,555	415,810
Deferred inflows of resources	308,398	331,476	49,104	92,177	357,502	423,653
Total liabilities and deferred inflows of resources	5,058,840	3,704,971	2,101,556	2,463,600	7,160,396	6,168,571
Net position:						
Net investment in capital assets	2,011,472	1,885,833	3,399,731	3,249,183	5,411,203	5,135,016
Restricted	445,952	442,879	-	-	445,952	442,879
Unrestricted	(992,453)	(487,225)	2,175,811	2,109,134	1,183,358	1,621,909
Total net position	\$ 1,464,971	\$ 1,841,487	\$ 5,575,542	\$ 5,358,317	\$ 7,040,513	\$ 7,199,804

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Madison exceeded liabilities and deferred inflows by \$7,040,513 as of June 30, 2020. The Town's net position decreased by \$159,291 for the fiscal year ended June 30, 2020. However, a large portion (76.86%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Madison uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Madison's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Madison's net position, \$445,952, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,183,358 is unrestricted.

A particular aspect 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 99.11%

## Management's Discussion and Analysis (Continued)

### The Town of Madison's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 197,651	\$ 210,350	\$ 1,440,671	\$ 1,515,437	\$ 1,638,322	\$ 1,725,787
Operating grants and contributions	184,214	176,165	-	-	184,214	176,165
Capital grants and contributions	114,250	-	207,600	300,000	321,850	300,000
General Revenues						
Property taxes	1,766,503	1,659,233	-	-	1,766,503	1,659,233
Other taxes	1,100,733	1,077,404	-	-	1,100,733	1,077,404
Other	89,620	40,236	4,034	3,954	93,654	44,190
Total revenues	3,452,971	3,163,388	1,652,305	1,819,391	5,105,276	4,982,779
Expenses:						
General Government	1,016,627	863,341	-	-	1,016,627	863,341
Public Safety	1,878,892	1,542,820	-	-	1,878,892	1,542,820
Street Department	593,716	641,634	-	-	593,716	641,634
Environmental Protection	151,929	147,472	-	-	151,929	147,472
Cemetery	25,756	25,345	-	-	25,756	25,345
Other Non-Departmental	159,908	37,921	-	-	159,908	37,921
Cultural and Recreational	-	-	-	-	-	-
Interest on long-term debt	2,659	3,403	-	-	2,659	3,403
Water and Sewer	-	-	1,435,080	1,647,324	1,435,080	1,647,324
Total expenses	3,829,487	3,261,936	1,435,080	1,647,324	5,264,567	4,909,260
Increase(Decrease) in net position before transfers	(376,516)	(98,548)	217,225	172,067	(159,291)	73,519
Transfers	-	-	-	-	-	-
Change in net position	(376,516)	(98,548)	217,225	172,067	(159,291)	73,519
Beginning net position	1,841,487	1,940,035	5,358,317	5,186,250	7,199,804	7,126,285
Net position, beginning, restated	1,841,487	1,940,035	5,358,317	5,186,250	7,199,804	7,126,285
Net position, June 30	\$ 1,464,971	\$ 1,841,487	\$ 5,575,542	\$ 5,358,317	\$ 7,040,513	\$ 7,199,804

**Governmental activities.** Governmental activities decreased the Town's net position by \$376,516. A key element of this decrease is as follows:

- Increase in expenditures.

**Business-type activities.** Business-type activities increased the Town of Madison's net position by \$217,225. Key elements of this increase are as follows:

- Decrease in expenditures.

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Madison. At the end of the current fiscal year, Town of Madison's fund balance available in the General fund was \$2,704,551 while total fund balance reached \$2,960,874. The Town currently has an available fund balance of 89.86% of general fund expenditures, while the total balance represents 98.38% of the same amount.

At June 30, 2020, the governmental funds of Town of Madison reported a combined fund balance of \$3,140,890 with a net increase in fund balance of \$206,056.

**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.

Revenues were more than the budgeted amounts primarily because of an increase in property taxes and unrestricted intergovernmental revenue that the Town originally had expected to receive. Expenditures were held below budget and the Town was able to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Madison'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 \$2,175,811. The total change in net position for the water and sewer fund was an increase of \$217,225. The change in net position in the Water and Sewer Fund is a result of a decrease in expenditures.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Madison's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,735,844 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

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

- Infrastructure and improvement acquisitions of \$117,305 in business-type activities.
- Land acquisition of \$70,314 in governmental activities.
- Construction in progress of \$116,092 in governmental activities.
- Vehicles and Equipment of \$38,631 in governmental activities.



## The Town of Madison's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 229,781	\$ 159,467	\$ 43,326	\$ 43,326	\$ 273,107	\$ 202,793
Construction in Progress	116,092	-	-	-	116,092	-
Buildings and Systems	1,100,641	1,135,908	854,959	905,794	1,955,600	2,041,702
Infrastructure and Improvements	445,237	458,055	3,686,013	3,746,707	4,131,250	4,204,762
Vehicles and Motorized Equipment	138,819	157,939	3,068	-	141,887	157,939
Furniture and Equipment	85,259	99,629	32,649	40,961	117,908	140,590
Total	\$ 2,115,829	\$ 2,010,998	\$ 4,620,015	\$ 4,736,788	\$ 6,735,844	\$ 6,747,786

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

**Long-term Debt.** As of June 30, 2020, the Town of Madison had total debt outstanding of \$6,685,493. Of this, \$667,000 is debt backed by the full faith and credit of the Town of Madison.

## Outstanding Debt

Figure 5

## Town of Madison's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 667,000	\$ 796,000	\$ 667,000	\$ 796,000
Installment purchases	104,357	125,165	553,284	691,605	657,641	816,770
Compensated Absences	137,917	121,264	16,356	20,133	154,273	141,397
OPEB	3,601,979	2,378,984	630,664	710,605	4,232,643	3,089,589
Pension related debt (LGERS)	488,469	408,698	96,768	69,566	585,237	478,264
Pension related debt (LEO)	388,699	295,217	-	-	388,699	295,217
Total	\$ 4,721,421	\$ 3,329,328	\$ 1,964,072	\$ 2,287,909	\$ 6,685,493	\$ 5,617,237

## Town of Madison Outstanding Debt

The Town of Madison's total debt increased by \$1,068,256 during the fiscal year. This increase was primarily due to an increases in the OPEB and pension related debt.

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 Town of Madison is \$19,252,246. The Town of Madison does not have any authorized but un-issued debt at June 30, 2020.

Additional information regarding the Town of Madison's long-term debt can be found beginning on page 68 in the Notes to the Financial Statements.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The tax rate is not expected to increase in the coming year and budgeted expenditures are expected to increase.

**Business-type Activities.** Utility rates in the Town are not expected to increase for the next year and budgeted expenditures are expected to be lower than the previous year.

**Requests for Information**

This report is designed to provide an overview of the Town 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 following:

**Cindy Novak  
Finance Officer  
Town of Madison  
120 N. Market Street  
Madison, NC 27025**

## ***Basic Financial Statements***

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**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Net Position

June 30, 2020

	Primary Government			Madison ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,907,659	\$ 629,957	\$ 3,537,616	\$ 262,781
Receivables (net):				
Ad Valorem Taxes	47,490	-	47,490	-
Interest	15,145	-	15,145	-
Accounts	19,517	140,069	159,586	-
Other Miscellaneous Receivables	-	-	-	-
Due from Other Governments	234,964	-	234,964	-
Due from Component Units	-	-	-	-
Inventories	-	127,752	127,752	265,053
Prepaid Items	-	-	-	12,212
Restricted Cash and Cash Equivalents	7,771	41,630	49,401	-
Total Current Assets	3,232,546	939,408	4,171,954	540,046
Noncurrent Assets:				
Sewer Treatment Rights, Net of Amortization	-	1,938,480	1,938,480	-
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	345,873	43,326	389,199	28,584
Other Capital Assets, Net of Depreciation	1,769,956	4,576,689	6,346,645	53,476
Total Noncurrent Assets	2,115,829	6,558,495	8,674,324	82,060
Total Assets	5,348,375	7,497,903	12,846,278	622,106
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	438,766	53,301	492,067	43,285
OPEB Deferrals	736,670	123,107	859,777	-
Charge on Refunding	-	2,787	2,787	-
Total Deferred Outflows of Resources	\$ 1,175,436	\$ 179,195	\$ 1,354,631	43,285

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Net Position (Continued)

June 30, 2020

	Primary Government			Madison ABC Board
	Governmental	Business-Type	Total	
	Activities	Activities		
LIABILITIES				
Current Liabilities:				
Accounts Payable and				
Accrued Liabilities	\$ 29,021	\$ 46,750	\$ 75,771	60,055
Customer Deposits	-	41,630	41,630	-
Current Portion of Long-Term Liabilities	15,833	271,321	287,154	-
Total Current Liabilities	44,854	359,701	404,555	60,055
Long-Term Liabilities:				
Net Pension Liability	488,469	96,768	585,237	41,510
Total Pension Liability	388,699	-	388,699	-
Total OPEB Liability	3,601,979	630,664	4,232,643	-
Due in More Than One year	226,441	965,319	1,191,760	-
<b>Total Liabilities</b>	<b>4,750,442</b>	<b>2,052,452</b>	<b>6,802,894</b>	<b>101,565</b>
DEFERRED INFLOWS OF RESOURCES				
Pension Deferrals	18,653	723	19,376	-
OPEB Deferrals	289,745	48,381	338,126	-
Grants Received in Advance	-	-	-	-
Prepaid Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>308,398</b>	<b>49,104</b>	<b>357,502</b>	<b>-</b>
NET POSITION				
Net Investment in Capital Assets	2,011,472	3,399,731	5,411,203	82,060
Restricted for:				
Transportation	7,771	-	7,771	-
Stabilization by State Statute	256,323	-	256,323	-
Public Safety	44,943	-	44,943	-
Cultural and Recreational	2,471	-	2,471	-
Cemetery Perpetual Care	134,444	-	134,444	-
Working Capital	-	-	-	56,945
Unrestricted	(992,453)	2,175,811	1,183,358	424,821
<b>Total Net Position</b>	<b>\$ 1,464,971</b>	<b>\$ 5,575,542</b>	<b>\$ 7,040,513</b>	<b>\$ 563,826</b>

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,016,627	\$ 13,666	\$ -	\$ -
Public Safety	1,878,892	1,563	113,915	-
Street Department	593,716	-	68,646	-
Environmental Protection	151,929	154,166	1,653	-
Cemetery	25,756	7,480	-	-
Other Non-Departmental	159,908	20,776	-	114,250
Cultural and Recreational	-	-	-	-
Interest on long-term debt	2,659	-	-	-
Total Governmental Activities	3,829,487	197,651	184,214	114,250
Business-Type Activities:				
Water and Sewer	1,435,080	1,440,671	-	207,600
Total Business-Type Activities	\$ 1,435,080	\$ 1,440,671	\$ -	\$ 207,600
Total Primary Government	\$ 5,264,567	\$ 1,638,322	\$ 184,214	\$ 321,850
Component Unit:				
ABC Board	1,393,142	1,480,581	-	-
Total Component Unit	\$ 1,393,142	\$ 1,480,581	\$ -	\$ -

**TOWN OF MADISON, NORTH CAROLINA**  
Statement of Activities (Continued)  
For the Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Functions/Programs	Governmental Activities	Business-Type Activities	Totals	Madison ABC Board
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ (1,002,961)	\$ -	\$ (1,002,961)	\$ -
Public Safety	(1,763,414)	-	(1,763,414)	-
Street Department	(525,070)	-	(525,070)	-
Environmental Protection	3,890	-	3,890	-
Cemetery	(18,276)	-	(18,276)	-
Other Non-Departmental	(24,882)	-	(24,882)	-
Cultural and Recreational	-	-	-	-
Interest on long-term debt	(2,659)	-	(2,659)	-
<b>Total Governmental Activities</b>	<b>(3,333,372)</b>	<b>-</b>	<b>(3,333,372)</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Water and Sewer	-	213,191	213,191	-
<b>Total Business-Type Activities</b>	<b>-</b>	<b>213,191</b>	<b>213,191</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(3,333,372)</b>	<b>213,191</b>	<b>(3,120,181)</b>	<b>-</b>
<b>Component Unit:</b>				
ABC Board				87,439
<b>Total Component Unit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,439</b>
<b>General Revenues:</b>				
Property Taxes, Levied for General Purpose	1,766,503	-	1,766,503	-
Other Taxes and Licenses	1,100,733	-	1,100,733	-
Investment Earnings	31,363	4,034	35,397	538
Miscellaneous	58,257	-	58,257	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>	<b>2,956,856</b>	<b>4,034</b>	<b>2,960,890</b>	<b>538</b>
<b>Change in Net Position</b>	<b>(376,516)</b>	<b>217,225</b>	<b>(159,291)</b>	<b>87,977</b>
<b>Net Position - Beginning, previously reported</b>	<b>1,841,487</b>	<b>5,358,317</b>	<b>7,199,804</b>	<b>475,849</b>
<b>Net Position - End of Year</b>	<b>\$ 1,464,971</b>	<b>\$ 5,575,542</b>	<b>\$ 7,040,513</b>	<b>\$ 563,826</b>

**TOWN OF MADISON, NORTH CAROLINA**

Balance Sheet

Governmental Funds

June 30, 2020

	<u>Major Funds</u>		
	<u>General</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,725,801	\$ 181,858	\$ 2,907,659
Restricted Cash	7,771	-	7,771
Receivables (net):			
Ad Valorem Taxes	47,490	-	47,490
Sanitation	19,517	-	19,517
Due from Other Governments	234,964	-	234,964
Due from Other Funds	1,842	-	1,842
Due from Component Unit	-	-	-
<b>Total Assets</b>	<u>3,037,385</u>	<u>181,858</u>	<u>3,219,243</u>
<b>LIABILITIES</b>			
Accounts Payable and			
Accrued Liabilities	29,021	-	29,021
Due to Other Funds	-	1,842	1,842
<b>Total Liabilities</b>	<u>29,021</u>	<u>1,842</u>	<u>30,863</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Grants Received in Advance	-	-	-
Property Taxes Receivable	47,490	-	47,490
<b>Total Deferred Inflows of Resources</b>	<u>47,490</u>	<u>-</u>	<u>47,490</u>
<b>FUND BALANCES</b>			
Non Spendable			
Perpetual Maintenance Care	-	134,444	134,444
Restricted			
Stabilization by State Statute	256,323	-	256,323
Streets	7,771	-	7,771
Public Safety	-	44,943	44,943
Cultural and Recreational	-	2,471	2,471
Assigned			
Subsequent Year's Expenditures:	38,000	-	38,000
Unassigned	2,658,780	(1,842)	2,656,938
<b>Total Fund Balances</b>	<u>2,960,874</u>	<u>180,016</u>	<u>3,140,890</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 3,037,385</u>	<u>\$ 181,858</u>	<u>\$ 3,219,243</u>



**TOWN OF MADISON, NORTH CAROLINA**

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

		<b>Total Governmental Funds</b>
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance	\$	3,140,890
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 6,614,559	
Accumulated depreciation	<u>(4,498,730)</u>	2,115,829
Deferred outflows of resources related to pensions are not reported in the funds	<u>438,766</u>	438,766
Deferred outflows of resources related to OPEB are not reported in the funds	<u>736,670</u>	736,670
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and and therefore are deferred		
Accrued interest - taxes	<u>15,145</u>	15,145
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>47,490</u>	47,490
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt	(104,357)	
Net pension liability	(488,469)	
Total pension liability	(388,699)	
OPEB liability	(3,601,979)	
Compensated absences	<u>(137,917)</u>	(4,721,421)
Deferred Inflows of resources related to pensions	<u>(18,653)</u>	(18,653)
Deferred Inflows of resources related to OPEB	<u>(289,745)</u>	(289,745)
<b>Net position of governmental activities.</b>	<u><u>\$</u></u>	<u><u>1,464,971</u></u>

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2020

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad Valorem Taxes	\$ 1,762,799	\$ -	\$ 1,762,799
Other Taxes and Licenses	-	-	-
Unrestricted Intergovernmental	1,100,733	-	1,100,733
Restricted Intergovernmental	70,299	228,165	298,464
Permits and Fees	13,666	-	13,666
Sales and Services	183,985	-	183,985
Investment Earnings	29,868	1,495	31,363
Miscellaneous	58,257	-	58,257
<b>Total Revenues</b>	<b>3,219,607</b>	<b>229,660</b>	<b>3,449,267</b>
<b>Expenditures</b>			
Current			
General Government	810,730	-	810,730
Public Safety	1,278,545	117,390	1,395,935
Street	445,087	-	445,087
Environmental Protection	151,929	-	151,929
Cemetery	25,756	-	25,756
Other Non-Departmental	159,908	-	159,908
Cultural and Recreational	-	-	-
Debt Service			
Principal	20,808	-	20,808
Interest and Other charges	2,659	-	2,659
Capital Outlay			
General Government	70,314	-	70,314
Public Safety	35,261	-	35,261
Street	8,732	-	8,732
Other Non-Departmental	-	116,092	116,092
<b>Total Expenditures</b>	<b>3,009,729</b>	<b>233,482</b>	<b>3,243,211</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>209,878</b>	<b>(3,822)</b>	<b>206,056</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	22	-	22
Transfers to Other Funds	-	(22)	(22)
Installment Notes	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>22</b>	<b>(22)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>209,900</b>	<b>(3,844)</b>	<b>206,056</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,750,974</b>	<b>183,860</b>	<b>2,934,834</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,960,874</b>	<b>\$ 180,016</b>	<b>\$ 3,140,890</b>

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

## Governmental Funds

For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$ 206,056
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	230,399	
Depreciation expense	<u>(125,568)</u>	104,831
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	<u>119,790</u>	119,790
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	<u>9,754</u>	9,754
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	<u>-</u>	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	4,153	
Interest earned on ad valorem taxes	<u>(449)</u>	3,704
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	-	
Debt retirement	<u>20,808</u>	20,808
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:		
Pension Expense	(269,368)	
OPEB plan expense	(555,438)	
Compensated absences	<u>(16,653)</u>	(841,459)
Total changes in net position of governmental activities		<u>\$ (376,516)</u>



**TOWN OF MADISON, NORTH CAROLINA**

## General Fund

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 1,650,200	\$ 1,650,200	\$ 1,762,799	\$ 112,599
Other Taxes and Licenses	-	-	-	-
Unrestricted Intergovernmental	1,025,667	1,031,411	1,100,733	69,322
Restricted Intergovernmental	100,750	100,750	70,299	(30,451)
Permits and Fees	12,750	12,750	13,666	916
Sales and Services	202,400	202,400	183,985	(18,415)
Investment Earnings	39,000	39,001	29,868	(9,133)
Miscellaneous	7,400	39,486	58,257	18,771
<b>Total Revenues</b>	<b>3,038,167</b>	<b>3,075,998</b>	<b>3,219,607</b>	<b>143,609</b>
<b>Expenditures</b>				
General Government	808,636	918,593	881,044	37,549
Public Safety	1,246,261	1,368,090	1,313,806	54,284
Street Department	582,231	461,839	453,819	8,020
Environmental Protection	148,500	152,500	151,929	571
Cemetery	30,737	27,487	25,756	1,731
Other Non-Departmental	221,827	194,354	159,908	34,446
Debt Service	-	23,474	23,467	7
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>3,038,192</b>	<b>3,146,337</b>	<b>3,009,729</b>	<b>136,608</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(25)</b>	<b>(70,339)</b>	<b>209,878</b>	<b>280,217</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	25	25	22	(3)
Transfers to Other Funds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>25</b>	<b>25</b>	<b>22</b>	<b>(3)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>(70,314)</b>	<b>209,900</b>	<b>280,214</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>70,314</b>	<b>-</b>	<b>(70,314)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>209,900</b>	<b>\$ 209,900</b>
<b>Fund Balance - Beginning of Year</b>			<b>2,750,974</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,960,874</b>	

**TOWN OF MADISON, NORTH CAROLINA**

Statement of Fund Net Position

Proprietary Fund

June 30, 2020

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	<b>Water and Sewer Fund</b>
<hr/>	
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 629,957
Accounts Receivable (net)	140,069
Inventory	127,752
Due from Other Governments	-
Restricted Cash and Investments	41,630
<b>Total Current Assets</b>	<u>939,408</u>
<b>Noncurrent Assets</b>	
Sewer Treatment Rights, Net of Amortization	1,938,480
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	43,326
Other Capital Assets, Net of Depreciation	4,576,689
<b>Total Noncurrent Assets</b>	<u>6,558,495</u>
<b>Total Assets</b>	<u><u>7,497,903</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Deferrals	53,301
OPEB Deferrals	123,107
Deferred Charge on Refunding	2,787
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 179,195</u></u>

**TOWN OF MADISON, NORTH CAROLINA**

Statement of Fund Net Position

Proprietary Fund

June 30, 2020

	<b>Water and Sewer Fund</b>
<hr/>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ 46,750
Customer Deposits	41,630
Current Portion of Long-Term Debt	271,321
<b>Total Current Liabilities</b>	<u>359,701</u>
<b>Noncurrent Liabilities</b>	
Non-current portion of Long-Term Debt	948,963
Compensated Absences Payable	16,356
Total OPEB Liability	630,664
Net Pension Liability	96,768
<b>Total Noncurrent Liabilities</b>	<u>1,692,751</u>
<b>Total Liabilities</b>	<u>2,052,452</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Deferrals	723
OPEB Deferrals	48,381
<b>Total Deferred Inflows of Resources</b>	<u>49,104</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,399,731
Unrestricted	2,175,811
<b>Total Net Position</b>	<u>\$ 5,575,542</u>





**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenses, and Changes in Fund Net Position

## Proprietary Fund

For the Year Ended June 30, 2020

	<b>Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Water Charges	\$ 770,781
Sewer Charges	624,194
Water and Sewer Taps	3,531
Other Operating Revenues	42,165
<b>Total Operating Revenues</b>	<u>1,440,671</u>
<b>Operating Expenses</b>	
Water Distribution	66,276
Water Plant	327,809
Waste Water Treatment Plant	514
Sewer Distribution	77,113
Rockingham County Water and Sewer	3,733
Other Non-Departmental	616,482
Depreciation	237,146
Amortization	55,816
<b>Total Operating Expenses</b>	<u>1,384,889</u>
<b>Operating Income (Loss)</b>	<u>55,782</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment Earnings	4,034
Interest Expense	(50,191)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(46,157)</u>
<b>Total Income (Loss) Before Contributions and Transfers</b>	9,625
<b>Capital Contributions</b>	207,600
<b>Transfers from Other Funds</b>	<u>-</u>
<b>Change in Net Position</b>	217,225
<b>Total Net Position, Beginning</b>	<u>5,358,317</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 5,575,542</u></u>

**TOWN OF MADISON, NORTH CAROLINA**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Users	\$ 1,398,529
Cash Paid for Goods and Services	(729,406)
Cash Paid to Employees for Services	(572,973)
Customer Deposits Received	10,400
Customer Deposits Returned	(10,675)
Other Operating Revenues	42,165
<b>Net Cash Provided(Used) by Operating Activities</b>	<u>138,040</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers in	-
<b>Net Cash Provided(Used) by Noncapital Financing Activities</b>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(120,373)
Interest Paid on Bond Maturities and Equipment Contracts	(48,804)
Principal Paid on Bond Maturities and Equipment Contracts	(267,321)
Capital Contributions	207,600
<b>Net Cash Provided(Used) by Capital Financing Activities</b>	<u>(228,898)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	4,034
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	(86,824)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>758,411</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 671,587</u>

**TOWN OF MADISON, NORTH CAROLINA**  
Statement of Cash Flows (Continued)  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b>Water and Sewer Fund</b>
<hr/>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 55,782
<hr/>	
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation	237,146
Amortization	55,816
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	23
(Increase) Decrease in Inventory	(1,353)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	(121,463)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	6,812
Increase (Decrease) in Net Pension Liability	27,202
Increase (Decrease) in Deferred Inflows of Resources - Pensions	(591)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,141
Increase (Decrease) in Customer Deposits	(275)
Increase (Decrease) in Compensated Absences Payable	(3,777)
Increase (Decrease) in Total OPEB Liability	(79,941)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	(42,482)
	<hr/>
<b>Total Adjustments</b>	<b>82,258</b>
	<hr/>
<b>Net Cash Provided(Used) by Operating Activities</b>	<b>\$ 138,040</b>
	<hr/>

**TOWN OF MADISON, NORTH CAROLINA**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2020

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 122,190
Accounts Receivable	-
<b>Total Assets</b>	<u>122,190</u>
<b>LIABILITIES</b>	
Accounts Payable	4,069
<b>Total Liabilities</b>	<u>4,069</u>
<b>NET POSITION</b>	
Assets Held in Trust (Fiduciary Net Position)	118,121
<b>Total Net Position</b>	<u>\$ 118,121</u>

## TOWN OF MADISON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2020

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Madison 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:

#### A. Reporting Entity

The Town of Madison is a municipal corporation that is governed by an elected mayor and a six-member board. 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.

##### **Madison ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Madison ABC Board, 120 North Market Street, Madison, NC 27025.

#### B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation – Fund Financial Statements (Continued)**

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

The Town reports the following major governmental 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:

**Special Revenue Fund.** The Special Revenue Fund accounts for specific revenue sources (other than those accounted for in capital projects, proprietary and fiduciary funds), that are legally restricted to expenditures for specific purposes. The Town has five Special Revenue Funds: the Special Police Fund, the Police Anti-Drug Fund, the Historic Preservation and Restoration Fund, 2019 Water Resources Development Grant Project Fund and the 2019 NC Clean Water Management Trust Fund.

**Permanent Fund.** The Permanent Fund accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Government's programs. The Town has one Permanent Fund, the Perpetual Care Trust Fund, to account for perpetual care of the municipal cemetery.

The Town reports the following major enterprise fund:

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

The Town reports the following fund type:

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town has one agency fund, the Madison-Mayodan Recreation Commission.

**C. Measurement Focus and Basis of Accounting**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Madison because the tax is levied by Rockingham 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.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds, the Perpetual Care Trust Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Funds and Grant Project Funds. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the General Fund or the Perpetual Care Trust Fund, at the department level for the Special Revenue and Enterprise Funds, and at the object level for the Capital Project Funds. The Town Manager is authorized to transfer appropriations within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or exceed \$1,000 must be approved by the governing board. During the year several budget amendments were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and 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.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**1. Deposits and Investments (Continued)**

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

Town of Madison Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 7,771
Total Governmental Activities	<u>7,771</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	41,630
Total Restricted Cash	<u>\$ 49,401</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**6. Inventory and Prepaid Items**

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise fund and those of the ABC Board consist of materials and supplies held for consumption. The cost of these inventories is expensed when consumed rather than when purchased.

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Effective July 1, 2003, general infrastructure assets are reported at 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 for the governmental activities are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	50
Vehicles	6
Furniture and Fixtures	10
Equipment	10
Computer Equipment	5

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

Asset Class	Estimated Useful Lives
Water and Sewer Lines	40-50
Buildings and Structures	40-50
Equipment	3-20

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**7. Capital Assets (Continued)**

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

Asset Class	Estimated Useful Lives
Buildings	20
Office Furniture and Equipment	5
Store Furniture and Equipment	7
Alarm System	5

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, pension deferrals, OPEB deferrals, and charge on refunding. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, prepaid taxes, pension deferrals, and OPEB deferrals.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**10. Compensated Absences**

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

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position/Fund Balances**

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

**Perpetual maintenance** – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Madison cemeteries.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**11. Net Assets/Fund Balances (Continued)**

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for debt retirement on police vehicles, firearm purchases, and school resource officers.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for historic preservation and restoration purposes.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Madison'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 similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation by resource or appropriation within funds up to \$1,000.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**11. Net Assets/Fund Balances (Continued)**

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

The Town of Madison adopted a minimum fund balance policy on May 13, 2014 as follows:

**Purpose:** The purpose of this policy is to set a reasonable level of fund balance, establish the circumstances when the Town can go below the policy level, and procedures on how the Town is to restore the fund balance.

**Overview:** Unreserved, unassigned fund balance will mean, funds that remain available for appropriation by the Board after all commitments for future expenditures, required reserves defined by State Statutes, and previous Board designations have been calculated. The Town defines these remaining amounts as "fund balance available".

**Policy:** Fund balance at the close of each fiscal year should be no less than 50% of the total annual operating budget of the Town.

The Board may, from time-to-time, utilize fund balances that will reduce fund balance available below the 50% policy but in no case below 30%, except in an extreme emergency for the purpose of providing for:

- A revenue shortfall
- Dealing with a natural disaster or other event that threatens the health or safety of the residents
- Taking advantage of an unforeseen significant opportunity that may be otherwise lost to the community
- To protect the long-term fiscal security of the Town of Madison

If the fund balance available is calculated as part of the closing-out a fiscal year is below 30%, the Board will adopt a plan as a part of the following year's budget process to restore the fund balance available to the policy level within 36 months from the date of the budget adoption. If restoration cannot be accomplished within such time period without hardship to the Town, then the Board will establish a different appropriate time period.

If the fund balance available as calculated as part of the closing-out a fiscal year is in excess of 50%, the Board may appropriate or designate the excess for one-time capital expenditures, economic development related expenditures, or transfer the excess to a capital reserve fund.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**12. Defined Benefit Cost-Sharing Plans**

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

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these 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 ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents 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 ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

## **II. DETAIL NOTES ON ALL FUNDS (Continued)**

### **A. Assets (Continued)**

#### **1. Deposits (Continued)**

At June 30, 2020, the Town's deposits had a carrying amount of \$2,237,356 and a bank balance of \$2,292,019. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash totaled \$3,758. The carrying amount of deposits for the ABC Board was \$260,281 and a bank balance of \$330,016. All the bank balance of the ABC Board was covered by federal depository insurance and the pooling method.

#### **2. Investments**

At June 30, 2020, the Town of Madison had \$1,468,093 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.

#### **3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, are net of the following allowances for doubtful accounts:

Fund	06/30/2020
General Fund:	
Taxes receivable	\$ 12,000
Accounts receivable	8,400
Total General Fund	<u>20,400</u>
Enterprise Fund:	
Utilities receivable	60,000
Total Enterprise Fund	<u>60,000</u>
Total	<u>\$ 80,400</u>



## II. DETAIL NOTES ON ALL FUNDS (Continued)

### A. Assets (Continued)

#### 4. Capital Assets

##### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 159,467	\$ 70,314	\$ -	\$ 229,781
Construction in Progress	-	116,092	-	116,092
Total capital assets not being depreciated	159,467	186,406	-	345,873
<b>Capital assets being depreciated:</b>				
Buildings	2,179,536	5,362	-	2,184,898
Equipment and Furniture	1,590,702	7,500	-	1,598,202
Vehicles and Motorized Equipment	1,206,940	31,131	-	1,238,071
Other Improvements	1,247,515	-	-	1,247,515
Total capital assets being depreciated	6,224,693	43,993	-	6,268,686
<b>Less accumulated depreciation for:</b>				
Buildings	1,043,628	40,629	-	1,084,257
Equipment and Furniture	1,491,073	21,870	-	1,512,943
Vehicles and Motorized Equipment	1,049,001	50,251	-	1,099,252
Other Improvements	789,460	12,818	-	802,278
Total accumulated depreciation	4,373,162	125,568	-	4,498,730
Total capital assets being depreciated, net	1,851,531			1,769,956
<b>Governmental activity capital assets, net</b>	<b>\$ 2,010,998</b>			<b>\$ 2,115,829</b>

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

General Government	\$ 11,632
Public Safety	62,224
Street Department	51,712
Cemetery Department	-
Total	<u>\$ 125,568</u>

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b><i>Water and Sewer Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 43,326	\$ -	\$ -	\$ 43,326
Total capital assets not being depreciated	43,326	-	-	43,326
<b>Capital assets being depreciated:</b>				
Infrastructure and Improvements	8,574,079	117,305	-	8,691,384
Equipment and Furniture	1,045,706	-	-	1,045,706
Vehicles	-	3,068	-	3,068
Plant, distribution systems & buildings	3,052,732	-	-	3,052,732
Total capital assets being depreciated	12,672,517	120,373	-	12,792,890
<b>Less accumulated depreciation for:</b>				
Infrastructure and Improvements	4,827,372	177,999	-	5,005,371
Equipment and Furniture	1,004,745	8,312	-	1,013,057
Vehicles	-	-	-	-
Plant, distribution systems & buildings	2,146,938	50,835	-	2,197,773
Total accumulated depreciation	7,979,055	237,146	-	8,216,201
Total capital assets being depreciated, net	4,693,462			4,576,689
<b>Water and Sewer fund capital assets, net</b>	<b>\$ 4,736,788</b>			<b>\$ 4,620,015</b>

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 28,584	\$ -	\$ -	\$ 28,584
Total capital assets not being depreciated	28,584	-	-	28,584
<b>Capital assets being depreciated:</b>				
Building	191,661	-	-	191,661
Warehouse Equipment	-	-	-	-
Office Furniture/Equipment	27,304	-	-	27,304
Store Furniture/Equipment	24,539	13,508	21,439	16,608
Alarm System	6,629	-	-	6,629
Total capital assets being depreciated	250,133	13,508	21,439	242,202
<b>Less accumulated depreciation for:</b>				
Building	147,340	5,576	-	152,916
Warehouse Equipment	-	-	-	-
Office Furniture/Equipment	26,773	421	-	27,194
Store Furniture/Equipment	4,886	1,880	3,216	3,550
Alarm System	4,482	584	-	5,066
Total accumulated depreciation	183,481	8,461	3,216	188,726
Total capital assets being depreciated, net	66,652			53,476
<b>ABC Board capital assets, net</b>	<b>\$ 95,236</b>			<b>\$ 82,060</b>

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities

#### 1. Pension Plan Obligations

##### a. Local Governmental Employees' Retirement System

**Plan Description.** The Town of Madison is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves 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).

**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.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued)

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Madison employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Madison's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Madison were \$143,521 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$585,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town's proportion was 0.02143%, which was an increase of 0.00127% from its proportion measured as of June 30, 2018.

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

For the year ended June 30, 2020, the Town recognized pension expense of \$276,275. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,207	\$ -
Changes of assumptions	95,384	-
Net difference between projected and actual earnings on pension plan investments	14,275	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,447	4,374
Town contributions subsequent to the measurement date	143,521	-
Total	<u>\$ 382,834</u>	<u>\$ 4,374</u>

\$143,521 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, 2021. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2021	\$ 111,055
2022	37,981
2023	64,568
2024	21,335
2025	-
Thereafter	-
	<u>\$ 234,939</u>

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 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, 2019 are summarized in the following table:

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

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued)

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,338,543	\$ 585,237	\$ (40,914)

**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.



II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Madison administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive members receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
Total	<u>18</u>

2. Summary of Significant Accounting Policies

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

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

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.26 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, 2018.

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

**4. Contributions**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$21,458 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, 2020, the Town reported a total pension liability of \$388,699. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$48,677.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

#### 4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,532	\$ 4,356
Changes of assumptions	22,947	10,646
Town benefit payments and plan administrative expense made subsequent to the measurement date	9,754	-
Total	<u>\$ 109,233</u>	<u>\$ 15,002</u>

\$9,754 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ended June 30:

2021	\$ 17,260
2022	17,260
2023	17,541
2024	15,632
2025	13,424
Thereafter	3,360
	<u>\$ 84,477</u>

**Sensitivity of the Town's total pension liability to changes in the discount rate.** The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 431,938	\$ 388,699	\$ 349,687

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

**4. Contributions (Continued)**

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

	<b>2020</b>
Beginning balance	\$ 295,217
Service Cost	20,681
Interest on the total pension liability	10,355
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	68,596
Changes of assumptions or other inputs	15,308
Benefit payments	(21,458)
Other changes	-
Ending balance of the total pension liability	<u>\$ 388,699</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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 276,275	\$ 48,677	\$ 324,952
Pension Liability	585,237	388,699	973,936
Proportionate share of the net pension liability	0.02143%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	100,207	76,532	176,739
Changes of assumptions	95,384	22,947	118,331
Net difference between projected and actual earnings on plan investments	14,275	-	14,275
Changes in proportion and differences between contributions and proportionate share of contributions	29,447	-	29,447
Benefit payments and administrative costs paid subsequent to the measurement date	143,521	9,754	153,275
Deferred Inflows of Resources			
Differences between expected and actual experience	-	4,356	4,356
Changes of assumptions	-	10,646	10,646
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,374	-	4,374

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$32,781 for the reporting year. No amounts were forfeited.

The Town has also elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town contributes three percent of the employee's monthly compensation to the plan, and the employees may make voluntary contributions. The Town made contributions of \$28,030 for the reporting year. No amounts were forfeited.

##### d. Other Post Employment Benefits

###### Healthcare Benefits

**Plan Description.** The Town's personnel policy provides that retirees may participate in the Town's healthcare plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have creditable service with the Town according to the following schedule:

<u>Years Worked for the Town of Madison</u>	<u>Individual Premium Town Pays</u>	<u>Employee Pays</u>
Less than 15 Years	Not Eligible	Not Eligible
15 - 19 Years	33%	67%
20 - 29 Years	66%	34%
30 Years or more	100%	0%

The Town's payment of premiums for group health and dental coverage for retirees will be discontinued when the retiree becomes eligible for Medicare due to age (65) or disability. At that time, the Town will pay for supplemental insurance coverage (Medicare Supplement Plan and Medicare Part D prescription drug coverage), based on the above percentages.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post Employment Benefits (Continued)

The Town pays the full cost of coverage for these benefits. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. The Town obtains health care coverage through Blue Cross Blue Shield of North Carolina, AARP, and the Municipal Insurance Trust of North Carolina.

Membership of the Plan consisted of the following as of the latest actuarial valuation date:

Retirees and dependents receiving benefits	14
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	32
Total	<u>46</u>

Total OPEB Liability

The Town’s total OPEB liability of \$4,232,643 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

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

Inflation	2.50 percent
Salary increases	3.50 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	7.00 percent, Pre-Medicare
	5.00 percent, Medicare
	4.00 percent, Dental
	2.50 percent, Vision

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

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### d. Other Post Employment Benefits (continued)

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2019</b>	\$ 3,089,589
<b>Changes for the year</b>	
Service Cost	133,754
Interest	118,154
Changes of benefit terms	-
Differences between expected and actual experience	1,012,765
Changes of assumptions or other inputs	(16,213)
Benefit payments	(105,406)
<b>Net Changes</b>	<u>1,143,054</u>
<b>Balance at June 30, 2020</b>	<u>\$ 4,232,643</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB Liability	\$ 5,007,517	\$ 4,232,643	\$ 3,627,083



## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 1. Pension Plan Obligations (Continued)

##### d. Other Post Employment Benefits (continued)

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,579,755	\$ 4,232,643	\$ 5,083,430

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$342,734. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 859,777	\$ 4,540
Changes of assumptions	-	333,586
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 859,777</u>	<u>\$ 338,126</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. 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>	
2021	\$ 86,991
2022	86,991
2023	86,992
2024	86,992
2025	121,563
Thereafter	52,122
	<u>\$ 521,651</u>

## **II. DETAIL NOTES ON ALL FUNDS (Continued)**

### **B. Liabilities (Continued)**

#### **2. 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 all death benefit payments are 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 benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town has also elected to provide death benefits to employees through a policy paid to Mutual of Omaha funded on a one-year term cost basis. The beneficiaries of those employees who die in active service are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's current annual salary at the employee's death.

#### **3. 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	\$	143,521
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date		9,754
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date		-
Differences between expected and actual experience		1,036,516
Changes of assumptions		118,331
Net difference between projected and actual		14,275
Changes in proportion and differences between employer contributions and proportionate share of contributions		29,447
Charge on refunding		2,787
Total	\$	<u>1,354,631</u>

## **II. DETAIL NOTES ON ALL FUNDS (Continued)**

### **B. Liabilities (Continued)**

#### **3. Deferred Outflows and Inflows of Resources (Continued)**

Deferred inflows of resources at year-end are composed of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable	-	47,490
Changes in assumptions	344,232	-
Differences between expected and actual experience	8,896	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,374	-
Total	\$ 357,502	\$ 47,490

#### **4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to an unlimited lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police liability and property in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries flood insurance through FEMA U.S. Department of Homeland Security on municipal property located in the flood plain. For property outside the 1 percent annual chance flood plain, the Town carries limited flood coverage through the NC League of Municipalities.

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$130,000 and the tax collector is bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond of \$10,000 per occurrence for dishonesty or forgery.

## **II. DETAIL NOTES ON ALL FUNDS (Continued)**

### **B. Liabilities (Continued)**

#### **5. Claims, Judgements and Contingent Liabilities**

At June 30, 2020, the Town did not have any litigation pending.

#### **6. Long-Term Obligations**

##### **a. Installment Purchases**

In August of 2012 the Town executed a \$237,500 inter-local agreement with Rockingham County and the Town of Mayodan to fund the construction of the Madison-Mayodan Public Library. The Town's portion is being financed by an installment contract requiring payments beginning 2013 with an interest rate of 2.35%. The outstanding principal balance at June 30, 2020 was \$104,357.

In October of 2014 the Town entered into a \$94,000 installment contract for the purchase of a fire truck. The financing contract requires payments beginning in 2014 with an interest rate of 2.51%. This debt was paid off during the current fiscal year.

In 2004 the Town acquired waste-water treatment capacity rights from the Town of Mayodan and a waste-water pumping station. The installment contract of \$2,766,421 that secured the rights and station required payments beginning in 2005 with an interest rate of 2.66%. The outstanding principal balance at June 30, 2020 was \$553,284.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$48,513 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 15,833	\$ 2,791	\$ 138,321	\$ 14,717
2022	15,833	2,419	138,321	11,038
2023	15,833	2,046	138,321	7,359
2024	15,833	1,674	138,321	3,679
2025	15,834	1,302	-	-
2026-2027	25,191	1,488	-	-
Total	\$ 104,357	\$ 11,720	\$ 553,284	\$ 36,793

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 6. Long-Term Obligations (Continued)

##### b. General Obligation Indebtedness

The Town's general obligation bonds issued to provide funds for the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

The Town's general obligation bonds payable at June 30, 2020 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

\$2,207,000 Refunding Serial 2005 Water and Sewer Bonds  
Interest due June 1 and December 1, principal due June 1 in  
annual installments through June 1, 2025. \$667,000

Annual debt service requirement to maturity for the Water and Sewer Fund's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 133,000	25,479
2022	-	-	136,000	20,399
2023	-	-	127,000	15,204
2024	-	-	133,000	10,352
2025	-	-	138,000	2,636
2026-2030	-	-	-	-
2031-2035	-	-	-	-
Total	\$ -	\$ -	\$ 667,000	\$ 74,070

At June 30, 2020, the Town of Madison had no bonds authorized but unissued and a legal debt margin of \$19,252,246.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 6. Long-Term Obligations (Continued)

##### c. Advance Refunding

On July 25, 2005, the Town issued \$2,207,000 in general obligation water and sewer refunding bonds with an interest rate of 3.82% to advance refund \$2,159,000 of outstanding water and sewer bonds. As a result, the 1974 and 1997 Water and Sewer bonds are considered to be defeased and the liability has been removed from the Water and Sewer Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference is reported in the financial statements as a deduction from bonds payable and is being charged to operations through the year 2025, the life of the new debt. The bond issuance costs associated with the advance refunding are being amortized over the remaining life of the bonds. The advance refunding was undertaken to reduce total debt service payments over the life of the debt.

##### d. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decrease	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment loans	\$ 125,165	\$ -	\$ 20,808	\$ 104,357	\$ 15,833
Total OPEB liability	2,378,984	1,222,995	-	3,601,979	-
Net pension liability (LGERS)	408,698	79,771	-	488,469	-
Total pension liability (LEO)	295,217	93,482	-	388,699	-
Compensated absences	121,264	16,653	-	137,917	-
Governmental activity long-term liabilities	<u>\$ 3,329,328</u>	<u>\$ 1,412,901</u>	<u>\$ 20,808</u>	<u>\$ 4,721,421</u>	<u>\$ 15,833</u>
Business-type activities:					
Installment loans	\$ 691,605	\$ -	\$ 138,321	\$ 553,284	\$ 138,321
General obligation bonds	796,000	-	129,000	667,000	133,000
Total OPEB liability	710,605	-	79,941	630,664	-
Net pension liability (LGERS)	69,566	27,202	-	96,768	-
Compensated absences	20,133	-	3,777	16,356	-
Business-type activity long-term liabilities	<u>\$ 2,287,909</u>	<u>\$ 27,202</u>	<u>\$ 351,039</u>	<u>\$ 1,964,072</u>	<u>\$ 271,321</u>

Compensated absences typically have been liquidated in the General Fund.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 2,115,829	\$ 4,620,015
less: long-term debt	104,357	1,220,284
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 2,011,472</u>	<u>\$ 3,399,731</u>

### D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the General Fund for the payment of expenditures from the: 2019 Water Resources Development Grant Project Fund	\$ 1,842
Total	<u>\$ 1,842</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.

Transfers to/from other funds at June 30, 2020, consist of the following:

From the Perpetual Care Trust Fund to the General Fund	\$ 22
Total	<u>\$ 22</u>

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

### E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 2,960,874
Less:	
Stabilization by State Statute	256,323
Streets	7,771
Appropriated Fund Balance in 2020-2021 budget	38,000
Remaining Fund Balance	<u>2,658,780</u>

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

Encumbrances	General Fund	Non-Major Funds
-	\$ -	\$ -

### **III. JOINT VENTURE**

#### **Madison-Mayodan Recreation Commission**

The Commission is a joint venture between the Towns of Madison and Mayodan. Each Town appoints three of the Commissioners and each Town generally contributes an equal amount of funds. The Towns act jointly to approve the Commission's budget and are responsible for the Commission's deficits, should any occur. The Commission owns its own assets. The fact that the Commission is a divided joint venture of the Towns precludes consolidation of the Commission's financial statements with those of the Towns. The Town of Madison contributed \$158,489 to the Commission during the year ended June 30, 2020. Complete financial statements for the Madison-Mayodan Recreation Commission can be obtained from the Commission's administrative offices at 120 North Market Street, Madison, NC 27025.

### **IV. RELATED ORGANIZATION**

#### **Madison Housing Authority**

The Madison Housing Authority is appointed entirely by the mayor of the Town of Madison. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority.

### **V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

#### **Federal and State Assisted Programs**

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

### **VI. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 12, 2021, which is the date the financial statements were available to be issued.



***Required Supplementary  
Financial Data***

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**TOWN OF MADISON, NORTH CAROLINA**  
Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Seven Fiscal Years\*

	<b>Local Government Employees' Retirement System</b>						
	2020	2019	2018	2017	2016	2015	2014
Madison's proportion of the net pension liability (asset) (%)	0.02143%	0.02016%	0.02048%	0.02333%	0.02312%	0.01925%	0.02030%
Madison's proportion of the net pension liability (asset) (\$)	\$ 585,237	\$ 478,264	\$ 312,878	\$ 495,140	\$ 103,761	\$ (113,526)	\$ 244,693
Madison's covered-employee payroll	\$ 1,561,911	\$ 1,484,567	\$ 1,426,337	\$ 1,484,818	\$ 1,408,329	\$ 1,243,211	\$ 1,232,468
Madison's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.47%	32.22%	21.94%	33.35%	7.37%	(9.13%)	19.85%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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 MADISON, NORTH CAROLINA**

Town of Madison's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years

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	<b>Local Government Employees' Retirement System</b>						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 143,521	\$ 127,407	\$ 117,002	\$ 108,863	\$ 101,710	\$ 101,963	\$ 87,895
Contributions in relation to the contractually required contribution	143,521	127,407	117,002	108,863	101,710	101,963	87,895
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Madison's covered employee payroll	\$ 1,529,828	\$ 1,561,911	\$ 1,484,567	\$ 1,426,337	\$ 1,484,818	\$ 1,408,329	\$ 1,243,211
Contributions as a percentage of covered-employee payroll	9.38%	8.16%	7.88%	7.63%	6.85%	7.24%	7.07%

**TOWN OF MADISON, NORTH CAROLINA**  
Schedule of Changes in Total Pension Liability  
June 30, 2020

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	2020	2019	2018	2017
<b>Beginning balance</b>	\$ 295,217	\$ 275,088	\$ 263,560	\$ 266,706
Service cost	20,681	18,131	14,155	17,850
Interest on the total pension liability	10,355	8,323	9,722	9,104
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	68,596	29,447	(8,400)	-
Changes of assumptions or other inputs	15,308	(12,363)	19,460	(6,691)
Benefit payments	(21,458)	(23,409)	(23,409)	(23,409)
Other changes	-	-	-	-
<b>Ending balance of the total pension liability</b>	<u>\$ 388,699</u>	<u>\$ 295,217</u>	<u>\$ 275,088</u>	<u>\$ 263,560</u>

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

**TOWN OF MADISON, NORTH CAROLINA**

## Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2020

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**Law Enforcement Officers' Special Separation Allowance**

	2020	2019	2018	2017
Total pension liability	\$ 388,699	\$ 295,217	\$ 275,088	\$ 263,560
Covered payroll	745,372	669,865	572,519	664,666
Total pension liability as a percentage of covered payroll	52.15%	44.07%	48.05%	39.65%

Notes to the schedules:

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

**TOWN OF MADISON, NORTH CAROLINA**

## Schedule of Changes in the Total OPEB Liability and Related Ratios

June 30, 2020

<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 133,754	\$ 142,127	\$ 161,424
Interest	118,154	108,172	94,911
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,012,765	8,294	(7,753)
Changes of assumptions	(16,213)	(181,834)	(321,556)
Benefit payments	(105,406)	(50,995)	(32,536)
<b>Net changes in Total OPEB Liability</b>	<b>1,143,054</b>	<b>25,764</b>	<b>(105,510)</b>
<b>Total OPEB Liability - Beginning</b>	<b>3,089,589</b>	<b>3,063,825</b>	<b>3,169,335</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 4,232,643</b>	<b>\$ 3,089,589</b>	<b>\$ 3,063,825</b>
<b>Covered Payroll</b>	<b>\$ 1,383,000</b>	<b>\$ 1,480,100</b>	<b>\$ 1,480,100</b>
<b>Total OPEB Liability as a percentage of covered payroll</b>	<b>306.05%</b>	<b>208.74%</b>	<b>207.00%</b>

**Notes to Schedule**

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

<b>Fiscal Year</b>	<b>Rate</b>
2020	3.50%
2019	3.89%
2018	3.56%

***Major Governmental Funds***

***General Fund***

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**TOWN OF MADISON, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 1,751,614	
Penalties and Interest		11,185	
<b>Total Ad Valorem Taxes</b>	<b>\$ 1,650,200</b>	<b>1,762,799</b>	<b>\$ 112,599</b>
 <b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		544,237	
Utility Sales Tax		360,194	
Telecommunications Tax		20,827	
Video Franchise Tax		18,048	
Piped Natural Gas		9,681	
Fire District Tax		93,411	
Beer and Wine Tax		9,342	
ABC Board Distributions		44,993	
Miscellaneous		-	
<b>Total Unrestricted Intergovernmental</b>	<b>1,031,411</b>	<b>1,100,733</b>	<b>69,322</b>
 <b>Restricted Intergovernmental</b>			
Powell Bill Allocation		68,646	
Grants		-	
Solid Waste Disposal Tax		1,653	
<b>Total Restricted Intergovernmental</b>	<b>100,750</b>	<b>70,299</b>	<b>(30,451)</b>
 <b>Permits and Fees</b>			
Building Permits		8,206	
Inspection Fees		5,460	
Zoning Permits		-	
<b>Total Permits and Fees</b>	<b>12,750</b>	<b>13,666</b>	<b>916</b>
 <b>Sales and Services</b>			
Solid Waste		154,166	
Court Fees		1,563	
Fines and Penalties		-	
Cemetery Fees		7,480	
Miscellaneous		20,776	
<b>Total Sales and Services</b>	<b>202,400</b>	<b>183,985</b>	<b>(18,415)</b>
 <b>Investment Earnings</b>			
General		29,868	
<b>Total Investment Earnings</b>	<b>39,001</b>	<b>29,868</b>	<b>(9,133)</b>



**TOWN OF MADISON, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Miscellaneous</b>			
Sale of Assets		-	
Donations		18,486	
Other		39,771	
<b>Total Miscellaneous</b>	<b>39,486</b>	<b>58,257</b>	<b>18,771</b>
<b>Total Revenues</b>	<b>3,075,998</b>	<b>3,219,607</b>	<b>143,609</b>
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		11,465	
Other Expenditures		4,501	
<b>Total Governing Body</b>	<b>16,364</b>	<b>15,966</b>	<b>398</b>
<b>Administration</b>			
Salaries and Employee Benefits		177,014	
Other Expenditures		35,564	
<b>Total Administration</b>	<b>221,177</b>	<b>212,578</b>	<b>8,599</b>
<b>Finance</b>			
Salaries and Employee Benefits		226,477	
Other Expenditures		33,381	
<b>Total Finance</b>	<b>271,961</b>	<b>259,858</b>	<b>12,103</b>
<b>Computer</b>			
Other Expenditures		23,086	
<b>Total Computer</b>	<b>24,000</b>	<b>23,086</b>	<b>914</b>
<b>Inspection and Zoning</b>			
Salaries and Employee Benefits		64,092	
Other Expenditures		15,877	
<b>Total Inspection and Zoning</b>	<b>83,959</b>	<b>79,969</b>	<b>3,990</b>
<b>Municipal Building</b>			
Other Expenditures		18,652	
<b>Total Municipal Building</b>	<b>19,500</b>	<b>18,652</b>	<b>848</b>
<b>Other Services</b>			
Other Expenditures		200,621	
Capital Outlay		70,314	
Principal Retirement		-	
Interest and Other Charges		-	
<b>Total Other Services</b>	<b>281,632</b>	<b>270,935</b>	<b>10,697</b>

**TOWN OF MADISON, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Police Department</b>			
Salaries and Employee Benefits		946,379	
Other Expenditures		143,106	
Capital Outlay		22,399	
<b>Total Police</b>	<b>1,160,875</b>	<b>1,111,884</b>	<b>48,991</b>
<b>Fire Department</b>			
Salaries and Employee Benefits		94,393	
Other Expenditures		94,667	
Capital Outlay		12,862	
Principal Retirement		4,975	
Interest and Other Charges		21	
<b>Total Fire Department</b>	<b>212,216</b>	<b>206,918</b>	<b>5,298</b>
<b>Street Department</b>			
Salaries and Employee Benefits		247,459	
Other Expenditures		197,628	
Capital Outlay		8,732	
<b>Total Street Department</b>	<b>461,839</b>	<b>453,819</b>	<b>8,020</b>
<b>Environmental Protection</b>			
Other Expenditures		151,929	
<b>Total Environmental Protection</b>	<b>152,500</b>	<b>151,929</b>	<b>571</b>
<b>Cemetery</b>			
Salaries and Employee Benefits		1,596	
Other Expenditures		24,160	
<b>Total Cemetery</b>	<b>27,487</b>	<b>25,756</b>	<b>1,731</b>
<b>Non-Departmental</b>			
Other Expenditures		159,908	
Principal Retirement		15,833	
Interest and Other Charges		2,638	
<b>Total Non-Departmental</b>	<b>212,827</b>	<b>178,379</b>	<b>34,448</b>
<b>Total Expenditures</b>	<b>3,146,337</b>	<b>3,009,729</b>	<b>136,608</b>

**TOWN OF MADISON, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(70,339)</u>	<u>209,878</u>	<u>280,217</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In:			
Cemetery Fund	25	22	(3)
Transfers Out:			
Cemetery Fund	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>25</u>	<u>22</u>	<u>(3)</u>
<b>Fund Balance Appropriated</b>	<u>70,314</u>	<u>-</u>	<u>(70,314)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>209,900</u>	<u>\$ 209,900</u>
<b>Fund Balance - Beginning of Year</b>		<u>2,750,974</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 2,960,874</u>	



## ***Nonmajor Governmental Funds***

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**TOWN OF MADISON, NORTH CAROLINA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

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	<b>Special Revenue Funds</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 47,414	\$ 134,444	\$ 181,858
<b>Total Assets</b>	<u>47,414</u>	<u>134,444</u>	<u>181,858</u>
<b>Liabilities</b>			
Accounts Payable	-	-	-
Due to Other Funds	1,842	-	1,842
<b>Total Liabilities</b>	<u>1,842</u>	<u>-</u>	<u>1,842</u>
<b>Fund Balances</b>			
Nonspendable - Perpetual	-	134,444	134,444
Restricted	45,572	-	45,572
<b>Total Fund Balances</b>	<u>45,572</u>	<u>134,444</u>	<u>180,016</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 47,414</u>	<u>\$ 134,444</u>	<u>\$ 181,858</u>

**TOWN OF MADISON, NORTH CAROLINA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds	Permanent Funds	Total
<b>Revenues</b>			
Restricted Intergovernmental	\$ 228,165	\$ -	\$ 228,165
Investment Earnings	21	1,474	1,495
Miscellaneous	-	-	-
<b>Total Revenues</b>	<u>228,186</u>	<u>1,474</u>	<u>229,660</u>
<b>Expenditures</b>			
Public Safety	117,390	-	117,390
Cultural and Recreational	-	-	-
Other - Non-Departmental - Capital Outlay	116,092	-	116,092
<b>Total Expenditures</b>	<u>233,482</u>	<u>-</u>	<u>233,482</u>
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures</b>	<u>(5,296)</u>	<u>1,474</u>	<u>(3,822)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	(22)	(22)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
<b>Net Change in Fund Balance</b>	(5,296)	1,452	(3,844)
<b>Fund Balance - Beginning of Year</b>	<u>50,868</u>	<u>132,992</u>	<u>183,860</u>
<b>Fund Balance - End of Year</b>	<u>\$ 45,572</u>	<u>\$ 134,444</u>	<u>\$ 180,016</u>





***Nonmajor Governmental Funds***

***Special Revenue Funds***

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**TOWN OF MADISON, NORTH CAROLINA**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2020

	Special Police Fund	Police Anti-Drug Fund	Historic Preservation & Restoration Fund	2019 Water Resources Development Grant Project Fund	2019 NC Clean Water Management Trust Fund	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 40,038	\$ 4,905	\$ 2,471	\$ -	\$ -	\$ 47,414
<b>Total Assets</b>	<u>40,038</u>	<u>4,905</u>	<u>2,471</u>	<u>-</u>	<u>-</u>	<u>47,414</u>
<b>Liabilities</b>						
Accounts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	1,842	-	1,842
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,842</u>	<u>-</u>	<u>1,842</u>
<b>Fund Balances</b>						
Restricted	<u>40,038</u>	<u>4,905</u>	<u>2,471</u>	<u>(1,842)</u>	<u>-</u>	<u>45,572</u>
<b>Total Fund Balances</b>	<u>40,038</u>	<u>4,905</u>	<u>2,471</u>	<u>(1,842)</u>	<u>-</u>	<u>45,572</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 40,038</u>	<u>\$ 4,905</u>	<u>\$ 2,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,414</u>

**TOWN OF MADISON, NORTH CAROLINA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2020

	Special Police Fund	Police Anti-Drug Fund	Historic Preservation & Restoration Fund	2019 Water Resources Development Grant Project Fund	2019 NC Clean Water Management Trust Fund	Total
<b>Revenues</b>						
Restricted Intergovernmental	\$ 113,542	\$ 373	\$ -	\$ 89,250	\$ 25,000	\$ 228,165
Investment Earnings	13	6	2	-	-	21
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>113,555</b>	<b>379</b>	<b>2</b>	<b>89,250</b>	<b>25,000</b>	<b>228,186</b>
<b>Expenditures</b>						
Public Safety	108,464	8,926	-	-	-	117,390
Cultural and Recreational	-	-	-	-	-	-
Other - Non-Departmental - Capital Outlay	-	-	-	91,092	25,000	116,092
<b>Total Expenditures</b>	<b>108,464</b>	<b>8,926</b>	<b>-</b>	<b>91,092</b>	<b>25,000</b>	<b>233,482</b>
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures</b>	<b>5,091</b>	<b>(8,547)</b>	<b>2</b>	<b>(1,842)</b>	<b>-</b>	<b>(5,296)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>5,091</b>	<b>(8,547)</b>	<b>2</b>	<b>(1,842)</b>	<b>-</b>	<b>(5,296)</b>
<b>Fund Balance - Beginning of Year</b>	<b>34,947</b>	<b>13,452</b>	<b>2,469</b>	<b>-</b>	<b>-</b>	<b>50,868</b>
<b>Fund Balance - End of Year</b>	<b>\$ 40,038</b>	<b>\$ 4,905</b>	<b>\$ 2,471</b>	<b>\$ (1,842)</b>	<b>\$ -</b>	<b>\$ 45,572</b>

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Nonmajor Special Revenue Fund - Special Police Fund

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Restricted Intergovernmental Revenue			
County Schools Grant	\$ 113,542	\$ 113,542	\$ -
Miscellaneous	660	-	(660)
Investment Income	17	13	(4)
<b>Total</b>	<b>114,219</b>	<b>113,555</b>	<b>(664)</b>
<b>Expenditures</b>			
Public Safety			
Salaries and Employee Benefits	102,598	101,545	1,053
Other Expenditures	11,621	6,919	4,702
<b>Total</b>	<b>114,219</b>	<b>108,464</b>	<b>5,755</b>
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures</b>	<b>-</b>	<b>5,091</b>	<b>5,091</b>
<b>Other Financing Sources</b>			
Transfers in:			
General Fund	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>5,091</b>	<b>\$ 5,091</b>
<b>Fund Balance - Beginning of Year</b>		<b>34,947</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 40,038</b>	

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Nonmajor Special Revenue Fund - Police Anti-Drug Fund

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Restricted Intergovernmental Revenue			
Revenue from North Carolina	\$ 322	\$ 373	\$ 51
Investment Income	8	6	(2)
<b>Total</b>	<u>330</u>	<u>379</u>	<u>49</u>
<b>Expenditures</b>			
Public Safety			
Other Operating Expenditures	7,466	8,926	(1,460)
Capital Outlay	7,136	-	7,136
<b>Total</b>	<u>14,602</u>	<u>8,926</u>	<u>5,676</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(14,272)</u>	<u>(8,547)</u>	<u>5,725</u>
<b>Other Financing Sources</b>			
Transfers out:			
General Fund	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Appropriated Fund Balance</b>	<u>14,272</u>	<u>-</u>	<u>(14,272)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(8,547)</u>	<u>\$ (8,547)</u>
<b>Fund Balance - Beginning of Year</b>		<u>13,452</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 4,905</u>	

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Nonmajor Special Revenue Fund - Historic Preservation and Restoration Fund

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ 2	\$ 2
Sales of Merchandise	-	-	-
Miscellaneous	-	-	-
<b>Total</b>	<u>-</u>	<u>2</u>	<u>2</u>
<b>Expenditures</b>			
Cultural and Recreational			
Other Operating Expenditures	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>2</u>	<u>2</u>
<b>Other Financing Sources</b>			
Transfers in:			
General Fund	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Appropriated Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>2</u>	<u>\$ 2</u>
<b>Fund Balance - Beginning of Year</b>		<u>2,469</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 2,471</u>	

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Special Revenue Fund - 2019 Water Resources Development Grant Project Fund

From Inception and For the Fiscal Year Ended June 30, 2020

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>					
Restricted Intergovernmental					
Grants	\$ 2,000,000	\$ -	\$ 89,250	\$ 89,250	\$ (1,910,750)
Investment Earnings	-	-	-	-	-
Total	2,000,000	-	89,250	89,250	(1,910,750)
<b>Expenditures</b>					
Capital Outlay	2,000,000	-	91,092	91,092	1,908,908
Total	2,000,000	-	91,092	91,092	1,908,908
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	(1,842)	(1,842)	(1,842)
<b>Other Financing Sources (Uses)</b>					
Transfers out:					
General Fund		-		-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Appropriated Fund Balance</b>	-	-	-	-	-
<b>Net Change in Fund Balance</b>	\$ -	\$ -	(1,842)	\$ (1,842)	\$ (1,842)
<b>Fund Balance - Beginning of Year</b>			-		
<b>Fund Balance - End of Year</b>			\$ (1,842)		

**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Special Revenue Fund - 2019 NC Clean Water Management Trust Fund Grant

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted Intergovernmental					
Grants	\$ 425,000	\$ -	\$ 25,000	\$ 25,000	\$ (400,000)
Investment Earnings	-	-	-	-	-
Total	425,000	-	25,000	25,000	(400,000)
<b>Expenditures</b>					
Capital Outlay	425,000	-	25,000	25,000	400,000
Total	425,000	-	25,000	25,000	400,000
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>					
Transfers out:					
General Fund		-		-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Appropriated Fund Balance</b>	-	-	-	-	-
<b>Net Change in Fund Balance</b>	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance - Beginning of Year</b>			-		
<b>Fund Balance - End of Year</b>			\$ -		



***Nonmajor Governmental Funds***

***Permanent Funds***

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**TOWN OF MADISON, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

## Permanent Fund - Perpetual Care Trust Fund

For the Fiscal Year Ended June 30, 2020

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Sales and Services			
Cemetery Fees	\$ -	\$ -	\$ -
Investment Earnings	200	1,474	1,274
Total	200	1,474	1,274
<b>Expenditures</b>			
Cemetery			
Other Operating Expenditures		-	-
Total	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	200	1,474	1,274
<b>Other Financing Sources (Uses)</b>			
Transfers out:			
General Fund	(200)	(22)	178
<b>Total Other Financing Sources (Uses)</b>	(200)	(22)	178
<b>Appropriated Fund Balance</b>	-	-	-
<b>Net Change in Fund Balance</b>	\$ -	1,452	\$ 1,452
<b>Fund Balance - Beginning of Year</b>		132,992	
<b>Fund Balance - End of Year</b>		\$ 134,444	

## ***Enterprise Funds***

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**TOWN OF MADISON, NORTH CAROLINA**  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water Charges	\$ 870,000	\$ 770,781	\$ (99,219)
Sewer Charges	665,000	624,194	(40,806)
Tap Fees	10,500	3,531	(6,969)
Reconnect Fees	10,000	6,066	(3,934)
Penalties and Interest	22,450	20,835	(1,615)
Miscellaneous	14,167	15,264	1,097
<b>Total Operating Revenues</b>	<b>1,592,117</b>	<b>1,440,671</b>	<b>(151,446)</b>
<b>Nonoperating Revenues</b>			
Investment Earnings	4,400	4,034	(366)
Grants	240,000	207,600	(32,400)
<b>Total Nonoperating Revenues</b>	<b>244,400</b>	<b>211,634</b>	<b>(32,766)</b>
<b>Total Revenues</b>	<b>1,836,517</b>	<b>1,652,305</b>	<b>(184,212)</b>
<b>Expenditures</b>			
<b>Water Lines</b>			
Salaries and Employee Benefits		61,145	
Repairs and Maintenance		13,764	
Other Expenditures		35,800	
Capital Outlay		1,534	
<b>Total Water Lines</b>	<b>147,185</b>	<b>112,243</b>	<b>34,942</b>
<b>Water Plant</b>			
Salaries and Employee Benefits		235,221	
Repairs and Maintenance		15,637	
Other Expenditures		208,540	
Capital Outlay		117,305	
<b>Total Water Plant</b>	<b>594,209</b>	<b>576,703</b>	<b>17,506</b>
<b>Waste Water Treatment Plant</b>			
Salaries and Employee Benefits		92	
Repairs and Maintenance		-	
Other Expenditures		422	
Capital Outlay		-	
<b>Total Waste Water Treatment Plant</b>	<b>1,300</b>	<b>514</b>	<b>786</b>
<b>Sewer Lines</b>			
Salaries and Employee Benefits		59,349	
Repairs and Maintenance		28,749	
Other Expenditures		27,567	
Capital Outlay		1,534	
<b>Total Sewer Lines</b>	<b>151,943</b>	<b>117,199</b>	<b>34,744</b>

**TOWN OF MADISON, NORTH CAROLINA**  
Water and Sewer Fund  
Schedule of Revenues and Expenditures (Continued)  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Rockingham County Water and Sewer</b>			
Salaries and Employee Benefits		\$ 2,926	
Repairs and Maintenance		-	
Other Expenditures		473	
Capital Outlay		-	
<b>Total Rockingham County Water and Sewer</b>	4,000	3,399	601
<b>Other Non-Departmental</b>			
Insurance and Bonds		143,456	
Other Expenditures		5,618	
Waste Water Treatment Fee		247,455	
Mayodan Sewer Unifi Agreement		219,953	
Debt Service			
Principal Retirement		267,321	
Interest Expense		48,804	
<b>Total Non-Departmental</b>	937,880	932,607	5,273
<b>Total Expenditures</b>	1,836,517	1,742,665	93,852
<b>Revenues Over (Under) Expenditures</b>	-	(90,360)	(90,360)
<b>Other Financing Sources (Uses)</b>			
Transfers In:			
General Fund	-	-	-
Transfer Out:			
General Fund	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Appropriated Fund Balance</b>	-	-	-
<b>Revenues and Other Sources Over Expenditures and Other Uses</b>	\$ -	\$ (90,360)	\$ (90,360)

**TOWN OF MADISON, NORTH CAROLINA**  
Water and Sewer Fund  
Schedule of Revenues and Expenditures (Continued)  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and Other Sources Over Expenditures and Other Uses		\$ (90,360)	
Reconciling Items:			
Depreciation Expense		(237,146)	
Amortization		(55,816)	
Increase (Decrease) in deferred outflows of resources - pensions		(6,812)	
Increase (Decrease) in deferred outflows of resources - OPEB		121,463	
(Increase) Decrease in net pension liability		(27,202)	
(Increase) Decrease in deferred inflows of resources - pensions		591	
(Increase) Decrease in OPEB liability		79,941	
(Increase) Decrease in deferred inflows of resources - OPEB		42,482	
(Increase) Decrease in accrued interest		(1,387)	
Compensated absences		3,777	
Capital Outlay		120,373	
Principal Retirement		267,321	
Total Reconciling Items		307,585	
<b>Change in Net Position</b>		<b>\$ 217,225</b>	

## ***Agency Fund***

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**TOWN OF MADISON, NORTH CAROLINA**

Agency Fund

Combining Statement of Changes in Assets and Liabilities

For The Fiscal Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Madison-Mayodan Recreation Commission</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 111,261	\$ 651,367	\$ 640,438	\$ 122,190
Accounts Receivable	-	-	-	-
Total Assets	111,261	651,367	640,438	122,190
<b>Liabilities</b>				
Accounts Payable	15,381	-	11,312	4,069
Total Liabilities	15,381	-	11,312	4,069
<b>Net Position</b>				
Held in Trust (Fiduciary Net Position)	\$ 95,880	\$ 651,367	\$ 629,126	\$ 118,121
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 111,261	\$ 651,367	\$ 640,438	\$ 122,190
Accounts Receivable	-	-	-	-
Total Assets	111,261	651,367	640,438	122,190
<b>Liabilities</b>				
Accounts Payable	15,381	-	11,312	4,069
Total Liabilities	15,381	-	11,312	4,069
<b>Net Position</b>				
Held in Trust (Fiduciary Net Position)	\$ 95,880	\$ 651,367	\$ 629,126	\$ 118,121



## ***Other Schedules***

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**TOWN OF MADISON, NORTH CAROLINA**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-2019</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-2020</u>
2019-20	\$ -	\$ 1,756,766	\$ 1,741,196	\$ 15,570
2018-19	9,456	-	-	9,456
2017-18	11,194	-	1,870	9,324
2016-17	7,009	-	1,602	5,407
2015-16	5,329	-	1,397	3,932
2014-15	3,782	-	917	2,865
2013-14	2,749	-	104	2,645
2012-13	3,759	-	194	3,565
2011-12	3,184	-	189	2,995
2010-11	3,912	-	181	3,731
2009-10	3,963	-	3,963	-
	<u>\$ 54,337</u>	<u>\$ 1,756,766</u>	<u>\$ 1,751,613</u>	<u>59,490</u>

Less: Allowance for Uncollectible Accounts:

General Fund

12,000

Ad Valorem Taxes Receivable - Net

\$ 47,490Reconcilement with Revenues

Ad Valorem Taxes - General Fund

1,762,799

Reconciling Items:

Interest and Penalties Collected

(11,185)

Taxes Released

(1)

Taxes Written Off

-

Total Collections and Credits

\$ 1,751,613

**TOWN OF MADISON, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2020

	Town-Wide		Total Levy	
	Property Valuation	Rate Per \$100	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>				
Property Taxed at				
Current Year's Rate	\$ 241,389,029	0.73	\$ 1,762,139	\$ 1,643,075
Penalties	-		-	-
	<u>241,389,029</u>		<u>1,762,139</u>	<u>1,643,075</u>
<b>Discoveries:</b>				
Current Year Taxes	904,856	0.73	6,605	6,605
Prior Year Taxes	-		-	-
Penalties	-		-	-
	<u>904,856</u>		<u>6,605</u>	<u>6,605</u>
<b>Abateements:</b>				
Property Taxes -				
Current Year's Rate	(1,608,644)	0.73	(11,743)	(11,743)
Motor Vehicle Taxes -				
Current Year's Rate	(32,171)	0.73	(235)	(235)
Penalties	-		-	-
	<u>-</u>		<u>-</u>	<u>-</u>
<b>Total Property Valuations</b>	<u>\$ 240,653,070</u>			
<b>Net Levy</b>			1,756,766	1,637,937
<b>Uncollected Taxes at June 30, 2020</b>			15,570	15,570
<b>Current Year's Taxes Collected</b>			<u>\$ 1,741,196</u>	<u>\$ 1,622,367</u>
<b>Current Levy Collection Percentage</b>			<u>99.11%</u>	<u>99.05%</u>
			<u>100.00%</u>	



## ***COMPLIANCE SECTION***

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Madison, 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 component unit, each major fund, and the aggregate remaining fund information of the Town of Madison, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Madison's basic financial statements, and have issued our report thereon dated January 12, 2021. Our report includes a reference to other auditors who audited the financial statements of the Madison ABC Board, as described in our report on the Town of Madison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Madison ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Madison's internal control over financial reporting (internal control) as a basis for designing 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 Madison'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 material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Madison'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 financial statements. 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.

***W Greene, PLLC***

Whiteville, North Carolina  
January 12, 2021

**TOWN OF MADISON, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2020

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<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**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      X   No

Significant deficiency(s)

\_\_\_\_\_ Yes      X  

None  
Reported

Noncompliance material to financial statements noted

\_\_\_\_\_ Yes      X   No



**TOWN OF MADISON, NORTH CAROLINA**  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2020

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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*None Reported*



# TOWN OF MADISON

Corrective Action Plan  
For the Fiscal Year Ended June 30, 2020

<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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*None Reported*

**TOWN OF MADISON, NORTH CAROLINA**

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2020

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***None Reported***

