

TOWN OF MCADENVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2020

Town Council Members

James Robinette, Jr., Mayor
Jay McCosh, Mayor Pro Tem
Carrie B. Bailey
Joe Rankin
Greg Richardson
C. Reid Washam

Administrative and Financial Staff

Lesley Dellinger, Town Clerk / Finance Officer
Kim Carver, Senior Billing Specialist

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FINANCIAL SECTION

November 24, 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of McAdenville, 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 of McAdenville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 – 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 46 – 47 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 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 Town of McAdenville's basic financial statements. The introductory information, 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 financial 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of the Town of McAdenville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of McAdenville's internal control over financial reporting and compliance.

Butler & Stone

Management's Discussion and Analysis

As management of the Town of McAdenville, we offer readers of the Town of McAdenville's financial statements this narrative overview and analysis of the financial activities of the Town of McAdenville 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

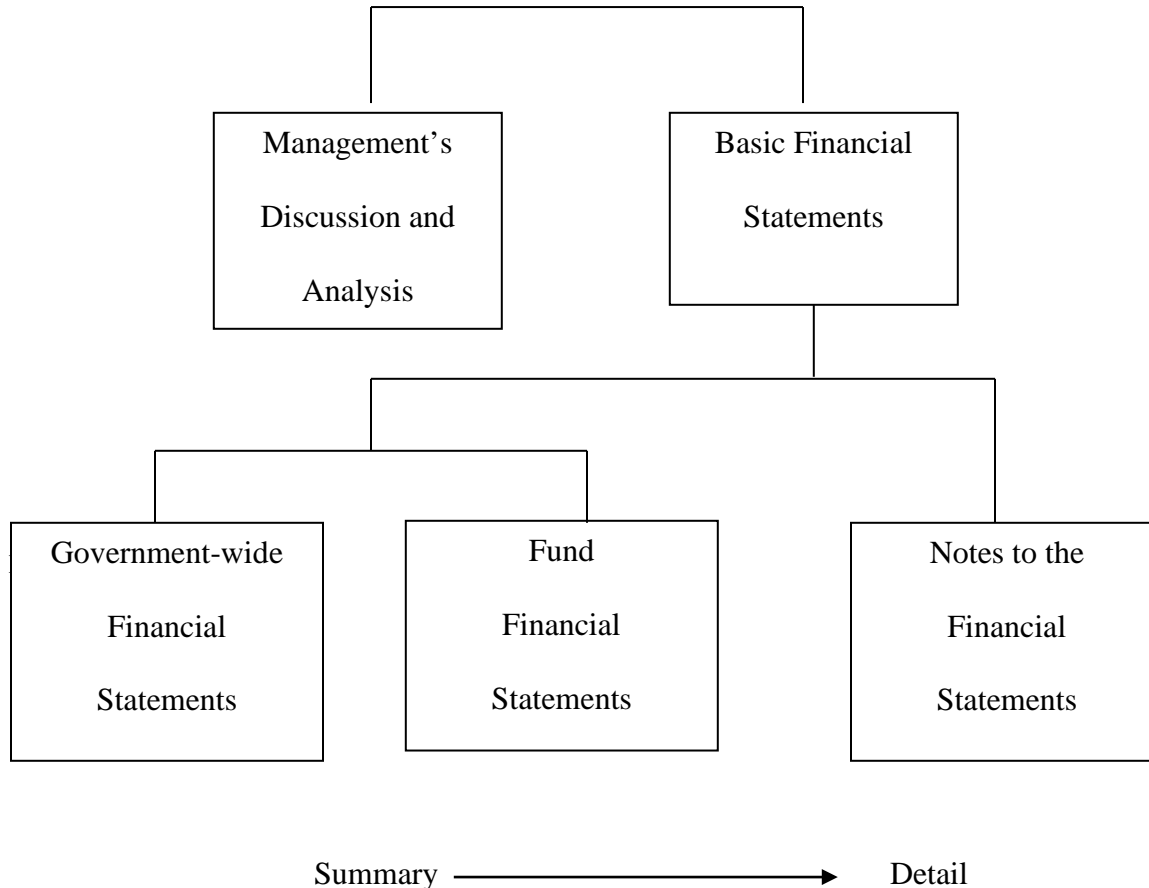
- The assets and deferred outflows of resources of the Town of McAdenville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,334,289 (*net position*).
- The government's total net position *decreased* by \$450,747 primarily due to transfer of capital assets to City of Gastonia.
- As of the close of the current fiscal year, the Town of McAdenville's governmental funds reported combined ending fund balances of \$1,314,817 with a net change of \$45,700 in fund balance. Approximately 42.10 percent of this total amount, or \$553,493, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$761,324 or 59.44 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of McAdenville's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town of McAdenville'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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include basic services such as public safety, parks and recreation, and general administration. Utility Franchise Tax, Property Tax Revenue, Local Option Sales Tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of McAdenville, 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 McAdenville can be divided into two categories: governmental funds and proprietary funds.

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

Management's Discussion and Analysis

Town of McAdenville

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the Town of McAdenville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

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

Management's Discussion and Analysis
Town of McAdenville

Government-Wide Financial Analysis

The Town of McAdenville's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 1,331,772 | \$ 1,352,675 | \$ 1,487,628 | \$ 1,590,139 | \$ 2,819,400 | \$ 2,942,814 |
| Capital assets | 3,420,578 | 3,050,486 | 1,699,309 | 2,492,572 | 5,119,887 | 5,543,058 |
| Deferred outflows of resources | 21,910 | 25,828 | 5,483 | 6,371 | 27,393 | 32,199 |
| Total assets | 4,774,260 | 4,428,989 | 3,192,420 | 4,089,082 | 7,966,680 | 8,518,071 |
| Long-term liabilities | 35,853 | 29,541 | 8,661 | 7,230 | 44,514 | 36,771 |
| Other liabilities | 11,908 | 78,335 | 574,469 | 615,547 | 586,377 | 693,882 |
| Deferred inflows of resources | 1,168 | 1,888 | 332 | 494 | 1,500 | 2,382 |
| Total liabilities | 48,929 | 109,764 | 583,462 | 623,271 | 632,391 | 733,035 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,420,578 | 3,050,486 | 1,699,309 | 2,492,572 | 5,119,887 | 5,543,058 |
| Restricted | 553,493 | 624,478 | | | 553,493 | 624,478 |
| Unrestricted | 751,260 | 644,261 | 909,649 | 973,239 | 1,660,909 | 1,617,500 |
| Total net position | \$ 4,725,331 | \$ 4,319,225 | \$ 2,608,958 | \$ 3,465,811 | \$ 7,334,289 | \$ 7,785,036 |

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 McAdenville exceeded liabilities and deferred inflows by \$7,334,289 as of June 30, 2020. The Town's net position *decreased* by \$450,747 for the fiscal year ended June 30, 2020. However, a large portion (69.8%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of McAdenville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of McAdenville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$553,493 (7.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,660,909 is unrestricted.

Management's Discussion and Analysis
Town of McAdenville

One particular aspect of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.42%. The statewide average in fiscal year 2019 was 98.78%.

Town of McAdenville Changes in Net Position

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,075 | \$ 1,625 | \$ 647,727 | \$ 661,076 | \$ 648,802 | \$ 662,701 |
| Operating grants and contributions | 19,153 | 17,636 | | | 19,153 | 17,636 |
| Capital grants and contributions | 347,530 | 1,697,524 | 13,400 | 1,225,970 | 360,930 | 1,225,970 |
| General revenues: | | | | | | |
| Property taxes | 494,604 | 467,566 | | | 494,604 | 467,566 |
| Other taxes | 449,029 | 433,685 | | | 449,029 | 433,685 |
| Other | 15,015 | 20,192 | 5,481 | 7,077 | 20,496 | 27,269 |
| Total revenues | 1,326,406 | 2,638,228 | 666,608 | 1,894,123 | 1,993,014 | 2,834,827 |
| Expenses: | | | | | | |
| General Government | 453,795 | 418,304 | | | 453,795 | 418,304 |
| Public safety | 293,287 | 284,623 | | | 293,287 | 284,623 |
| Transportation | 76,460 | 95,084 | | | 76,460 | 95,084 |
| Parks and recreation | 96,758 | 9,172 | | | 96,758 | 9,172 |
| Water and sewer | | | 438,851 | 533,893 | 438,851 | 533,893 |
| Total expenses | 920,300 | 807,183 | 438,851 | 533,893 | 1,359,151 | 1,341,076 |
| Increase in net position | 406,106 | 1,831,045 | 227,757 | 1,360,230 | 633,863 | 3,191,275 |
| Transfer of assets to City of Gastonia | | | (1,084,610) | | (1,084,610) | |
| Net position, beginning | 4,319,225 | 2,488,180 | 3,465,811 | 2,105,581 | 7,785,036 | 4,593,761 |
| Net position, June 30 | \$ 4,725,331 | \$ 4,319,225 | \$ 2,608,958 | \$ 3,465,811 | \$ 7,334,289 | \$ 7,785,036 |

Management's Discussion and Analysis
Town of McAdenville

Governmental activities. Governmental activities increased the Town's net position by \$406,106 thereby accounting for 64.07% of the total growth in net position of the Town of McAdenville (before transfer of assets in the business type activities). Key elements of the increase in governmental activities are as follows:

- Capital contributions of \$347,530 were received during the fiscal year ending June 30, 2020.

Business-type activities: Business-type activities increased the Town of McAdenville's net position by \$227,757 (before transfer of assets), accounting for 35.93% of the total growth in the government's net position.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of McAdenville. At the end of the current fiscal year, the Town of McAdenville's fund balance available in the General Fund was \$761,324, while the total fund balance reached \$1,314,817. The Town currently has an available fund balance of 59.44% of general fund expenditures, while the total fund balance represents 102.7% of the same amount.

At June 30, 2020, the governmental funds of Town of McAdenville reported a combined fund balance of \$1,314,817 with a net increase in fund balance of \$45,700.

General Fund Budgetary Highlights: During the fiscal year, the Town did have a need to revise the budget. 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.

There were several budget transfers made at the function level. There were several line item amendments made within the departments.

Management's Discussion and Analysis
Town of McAdenville

Proprietary Funds. The Town of McAdenville'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 \$909,649. The total change in net position for the water and sewer fund was (\$856,853). The change in net position in the Water and Sewer Fund is primarily a result of transferring \$1,084,610 of capital assets to the City of Gastonia.

Capital Asset and Debt Administration

Capital assets. The Town of McAdenville's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,119,887 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

**Town of McAdenville's Capital Assets
(net of depreciation)**

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 522,500 | \$ 532,860 | \$ | \$ | \$ 522,500 | \$ 532,860 |
| Construction in progress | | 384,016 | | 1,225,970 | - | |
| Buildings | 189,248 | 220,131 | | | 189,248 | 220,131 |
| Other Improvements | 1,687,858 | 839,502 | 1,699,309 | 1,266,602 | 3,387,167 | 2,106,104 |
| Machinery and equipment | 60,280 | 69,725 | | | 60,280 | 69,725 |
| Infrastructure | 960,692 | 1,004,252 | | | 960,692 | 1,004,252 |
| | <u>\$ 3,420,578</u> | <u>\$ 3,050,486</u> | <u>\$ 1,699,309</u> | <u>\$ 2,492,572</u> | <u>\$ 5,119,887</u> | <u>\$ 3,933,072</u> |

Additional information on the Town of McAdenville's capital assets can be found in Note 2 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The textile manufacturing operations owned by Pharr Yarns was sold in December 2019 to Coats Group, PLC, a British multi-national company and the world's largest manufacturer/distributor of sewing thread, and Mannington Mills, Inc., leading US manufacturing/distributor of residential and commercial carpets and flooring. As a condition of the sale, both companies were required to continue manufacturing operations in Pharr owned facilities located in McAdenville for a minimum of 10 years, securing employment of existing employees and tax base for the Town.
- Corporate headquarters for Pharr will remain in Historic Downtown McAdenville where it manages its two other companies: Belmont Land & Investment Company, developer of residential and commercial real estate and hotels, and Strand Hospitality Services, which manages a portfolio of hotel properties throughout the southeast.
- Phase II of the South Fork Sewer Project was completed in November 2019. The joint project between the Town of McAdenville, the City of Gastonia, and Pharr Yarns has successfully decommissioned two outdated wastewater treatment plants and installed a new force main and pump station lowering the Town's contract operation costs by approximately \$15,000 annually.
- Construction has been completed on the McAdenville Park project creating a ½ mile of paved trails along the scenic South Fork River and adjoining wetlands along with other amenities, including fitness stations, picnic tables, benches and public parking. This project was funded through a public / private partnership with Pharr Industries along with \$350,000 in State grant monies.
- Renovation of the vacant industrial property located in the historic downtown district are being done by Belmont Land & Investment Company. The 25,000 square foot facility is being repurposed as mixed-use office and retail space doubling the available properties along Main Street in McAdenville.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The FY net position budget reflects the goal of maintaining the present level of services provided by the Town. The Town maintained the current property tax rate of \$.33 for each \$100 valuation of taxable property and a \$5.00 vehicle tax.

Business – type Activities: It is anticipated the Water & Sewer operations will continue to support itself without a contribution from the General Fund. The agreement between the City of Gastonia and the Town for the purchase of water and waste treatment will remain in effect as efforts toward a regional consolidation are pursued.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Lesley Dellinger, Town Clerk / Finance Officer, 163 Main Street, PO Box 9, McAdenville, NC 28101, (704) 824-3190.

BASIC FINANCIAL STATEMENTS

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 1,108,232 | \$ 1,208,339 | \$ 2,316,571 |
| Taxes receivable | 5,047 | | 5,047 |
| Accounts receivable | - | 74,431 | 74,431 |
| Due from other governments | 97,240 | 200,000 | 297,240 |
| Internal balances | 21,797 | (21,797) | |
| Restricted cash and cash equivalents | 99,456 | 26,655 | 126,111 |
| Total current assets | 1,331,772 | 1,487,628 | 2,819,400 |
| NONCURRENT ASSETS: | | | |
| Capital assets: | | | |
| Land | 522,500 | | 522,500 |
| Other capital assets, net of depreciation | 2,898,078 | 1,699,309 | 4,597,387 |
| Total capital assets | 3,420,578 | 1,699,309 | 5,119,887 |
| Total assets | \$ 4,752,350 | \$ 3,186,937 | \$ 7,939,287 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | \$ 21,910 | \$ 5,483 | \$ 27,393 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 11,908 | 547,814 | 559,722 |
| Payable from restricted assets | | 26,655 | 26,655 |
| Total current liabilities | 11,908 | 574,469 | 586,377 |
| LONG-TERM LIABILITIES | | | |
| Net pension liability | 35,853 | 8,661 | 44,514 |
| Total liabilities | 47,761 | 583,130 | 630,891 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | 1,168 | 332 | 1,500 |
| NET POSITION | | | |
| Net investment in capital assets | 3,420,578 | 1,699,309 | 5,119,887 |
| Restricted for: | | | |
| Stabilization by State Statute | 454,037 | | 454,037 |
| Recreation | 46,666 | | 46,666 |
| Streets | 52,790 | | 52,790 |
| Unrestricted | 751,260 | 909,649 | 1,660,909 |
| Total net position | \$ 4,725,331 | \$ 2,608,958 | \$ 7,334,289 |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--------------|----------------------------|--|--|--|---------------------------------|--------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business- type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 453,795 | \$ 1,075 | \$ | \$ | \$ (452,720) | \$ | \$ (452,720) |
| Public safety | 293,287 | | | | (293,287) | | (293,287) |
| Transportation | 76,460 | | 19,153 | | (57,307) | | (57,307) |
| Parks and recreation | 96,758 | | | 347,530 | 250,772 | | 250,772 |
| Total governmental activities | 920,300 | 1,075 | 19,153 | 347,530 | (552,542) | - | (552,542) |
| Business-type activities: | | | | | | | |
| Water and sewer | 438,851 | 647,727 | | 13,400 | | 222,276 | 222,276 |
| Total business-type activities | 438,851 | 647,727 | | 13,400 | | 222,276 | 222,276 |
| Total primary government | \$ 1,359,151 | \$ 648,802 | \$ 19,153 | \$ 360,930 | (552,542) | 222,276 | (330,266) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purpose | | | | | 494,604 | | 494,604 |
| Other taxes | | | | | 449,029 | | 449,029 |
| Unrestricted investment earnings | | | | | 7,721 | 5,481 | 13,202 |
| Miscellaneous | | | | | 7,294 | | 7,294 |
| Total general revenues not including transfers | | | | | 958,648 | 5,481 | 964,129 |
| Total general revenues not including transfers | | | | | 406,106 | 227,757 | 633,863 |
| Transfer of assets to City of Gastonia | | | | | | (1,084,610) | (1,084,610) |
| Change in net position | | | | | 406,106 | (856,853) | (450,747) |
| Net position-beginning | | | | | 4,319,225 | 3,465,811 | 7,785,036 |
| Net position-ending | | | | | \$ 4,725,331 | \$ 2,608,958 | \$ 7,334,289 |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

| | Major Funds | | |
|---|---------------------|----------------|--------------------------|
| | General Fund | Non-Major Fund | Total Governmental Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,108,232 | \$ - | \$ 1,108,232 |
| Restricted cash | 99,456 | | 99,456 |
| Receivables, net: | | | - |
| Taxes | 5,047 | | 5,047 |
| Due from other funds | 21,797 | | 21,797 |
| Due from other governments | 97,240 | | 97,240 |
| Total assets | <u>\$ 1,331,772</u> | <u>\$ -</u> | <u>\$ 1,331,772</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | <u>\$ 11,908</u> | | <u>\$ 11,908</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | <u>5,047</u> | | <u>5,047</u> |
| FUND BALANCES | | | |
| Restricted | | | |
| Stabilization by State Statute | 454,037 | | 454,037 |
| Recreation | 46,666 | | 46,666 |
| Streets | 52,790 | | 52,790 |
| Unassigned | 761,324 | | 761,324 |
| Total fund balances | <u>1,314,817</u> | | <u>1,314,817</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,331,772</u> | | |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in funds. | | | |
| Gross capital assets | | | 4,297,150 |
| Accumulated depreciation | | | (876,572) |
| Deferred outflows of resources related to pensions are not reported in the funds | | | 21,910 |
| Earned revenues considered deferred inflows of resources in fund statements | | | 5,047 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds: | | | |
| Net pension liability | | | (35,853) |
| Deferred inflows of resources are not reported in the funds | | | <u>(1,168)</u> |
| Net position of governmental activities | | | <u>\$ 4,725,331</u> |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Governmental Funds

For the Year Ended June 30, 2020

| | Major Funds | | |
|---|---------------------|----------------|--------------------------|
| | General Fund | Non-Major Fund | Total Governmental Funds |
| REVENUES | | | |
| Ad valorem taxes | \$ 494,779 | \$ | \$ 494,779 |
| Unrestricted intergovernmental | 449,029 | | 449,029 |
| Restricted intergovernmental | 19,153 | 169,545 | 188,698 |
| Licenses and permits | 1,075 | | 1,075 |
| Investment earnings | 7,721 | | 7,721 |
| Miscellaneous | 53,961 | | 53,961 |
| Total revenues | <u>1,025,718</u> | <u>169,545</u> | <u>1,195,263</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 294,793 | | 294,793 |
| Public safety | 293,287 | | 293,287 |
| Sanitation | 92,388 | | 92,388 |
| Parks and recreation | 79,109 | 498,440 | 577,549 |
| Transportation | 22,865 | | 22,865 |
| Total expenditures | <u>782,442</u> | <u>498,440</u> | <u>1,280,882</u> |
| Net change in fund balance | 243,276 | (328,895) | (85,619) |
| OTHER FINANCING SOURCES (USES) | | | |
| Contribution from private entity | | 131,319 | 131,319 |
| Transfer | <u>(197,576)</u> | <u>197,576</u> | |
| Revenues and other financing sources over (under) expenditures | 45,700 | - | 45,700 |
| FUND BALANCE | | | |
| Fund balance-beginning | <u>1,269,117</u> | | <u>1,269,117</u> |
| Fund balance-end of year | <u>\$ 1,314,817</u> | <u>\$ -</u> | <u>\$ 1,314,817</u> |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

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 | \$ 45,700 |
|---|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

| | | |
|---|-----------------|---------|
| Capital outlay expenditures that were capitalized | 498,440 | |
| Depreciation expense for governmental assets | (104,487) | |
| Loss on disposition of assets | <u>(23,861)</u> | 370,092 |

| | |
|--|-------|
| Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities | 7,157 |
|--|-------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|--|--------------|-------|
| Change in unavailable revenue for tax revenues | <u>(176)</u> | (176) |
|--|--------------|-------|

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 | <u>(16,667)</u> |
|-----------------|-----------------|

| | |
|--|--------------------------|
| Total changes in net position of governmental activities | <u><u>\$ 406,106</u></u> |
|--|--------------------------|

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

TOWN OF MCADENVILLE, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE- ANNUAL BUDGET AND ACTUAL

For the Year Ended June 30, 2020

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|-----------------|---------------------|--|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 470,000 | \$ 470,000 | \$ 494,779 | \$ 24,779 |
| Unrestricted intergovernmental | 397,900 | 397,900 | 449,029 | 51,129 |
| Restricted intergovernmental | 17,500 | 17,500 | 19,153 | 1,653 |
| Permits and fees | 500 | 500 | 1,075 | 575 |
| Investment earnings | 7,100 | 7,100 | 7,721 | 621 |
| Miscellaneous | 50,600 | 62,600 | 53,961 | (8,639) |
| Total revenues | <u>943,600</u> | <u>955,600</u> | <u>1,025,718</u> | <u>70,118</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 923,772 | 396,729 | 294,793 | 101,936 |
| Public safety | 296,750 | 296,750 | 293,287 | 3,463 |
| Sanitation | 100,000 | 100,000 | 92,388 | 7,612 |
| Park maintenance | 155,000 | 90,000 | 79,109 | 10,891 |
| Transportation | 47,500 | 55,000 | 22,865 | 32,135 |
| Total expenditures | <u>1,523,022</u> | <u>938,479</u> | <u>782,442</u> | <u>156,037</u> |
| Revenues over (under) expenditures | (579,422) | 17,121 | 243,276 | 226,155 |
| Other financing sources (uses): | | | | |
| Transfer to Capital Project Fund | 579,422 | (17,121) | (197,576) | (180,455) |
| Total other financing sources (uses) | <u>579,422</u> | <u>(17,121)</u> | <u>(197,576)</u> | <u>(180,455)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | 45,700 | <u>\$ 45,700</u> |
| Fund balance, beginning of year | | | <u>1,269,117</u> | |
| Fund balance, end of year | | | <u>\$ 1,314,817</u> | |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2020

| | Enterprise Fund Water and Sewer Fund | Total |
|---|---|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 1,208,339 | \$ 1,208,339 |
| Cash - restricted | 26,655 | 26,655 |
| Accounts receivable (net) - billed | 17,470 | 17,470 |
| Accounts receivable (net) - unbilled | 56,772 | 56,772 |
| Due from governments | 200,000 | 200,000 |
| Prepaid items | 189 | 189 |
| Total current assets | <u>1,509,425</u> | <u>1,509,425</u> |
| Capital assets: | | |
| Other capital assets, net of depreciation | 1,699,309 | 1,699,309 |
| Total noncurrent assets | <u>1,699,309</u> | <u>1,699,309</u> |
| Total assets | <u><u>\$ 3,208,734</u></u> | <u><u>\$ 3,208,734</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Contributions to pension plan | <u>\$ 5,483</u> | <u>\$ 5,483</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Due to other funds | 21,797 | 21,797 |
| Accounts payable and accrued liabilities | 547,814 | 547,814 |
| Customer deposits | 26,655 | 26,655 |
| Total liabilities | <u>596,266</u> | <u>596,266</u> |
| Noncurrent liabilities: | | |
| Net pension liability | 8,661 | 8,661 |
| Total noncurrent liabilities | <u>8,661</u> | <u>8,661</u> |
| Total liabilities | <u>604,927</u> | <u>604,927</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 332 | 332 |
| NET POSITION | | |
| Net investment in capital assets | 1,699,309 | 1,699,309 |
| Unrestricted | 909,649 | 909,649 |
| Total net position | <u><u>\$ 2,608,958</u></u> | <u><u>2,608,958</u></u> |
| Net position of business-type activities | | <u><u>\$ 2,608,958</u></u> |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2020

| | Enterprise Fund | |
|--|------------------------|---------------------|
| | Water and | |
| | Sewer Fund | Total |
| OPERATING REVENUES | | |
| Charges for services | \$ 644,474 | \$ 644,474 |
| Water and sewer taps | 3,253 | 3,253 |
| Total operating revenues | <u>647,727</u> | <u>647,727</u> |
| OPERATING EXPENSES | | |
| Purchase of water | 272,543 | 272,543 |
| Metered sewer charges | 47,612 | 47,612 |
| Salaries | 18,073 | 18,073 |
| Payroll taxes and benefits | 5,881 | 5,881 |
| Repairs | 19,538 | 19,538 |
| Depreciation | 42,547 | 42,547 |
| Operation of treatment plant | 20,211 | 20,211 |
| Miscellaneous | 12,446 | 12,446 |
| Total operating expenses | <u>438,851</u> | <u>438,851</u> |
| Operating income | 208,876 | 208,876 |
| NONOPERATING REVENUES | | |
| Interest | <u>5,481</u> | <u>5,481</u> |
| Income before contributions and transfers | 214,357 | 214,357 |
| Transfer of capital assets to City of Gastonia | (1,084,610) | (1,084,610) |
| Capital contribution | <u>13,400</u> | <u>13,400</u> |
| CHANGE IN NET POSITION | (856,853) | (856,853) |
| Total net position - beginning | <u>3,465,811</u> | |
| Total net position - ending | <u>\$ 2,608,958</u> | |
| Change in net position - business-type activities | | <u>\$ (856,853)</u> |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2020

| | Water and Sewer Fund | Total |
|---|-------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 638,164 | \$ 638,164 |
| Cash paid for goods and services | (389,602) | (389,602) |
| Cash paid to or on behalf of employees for services | (21,798) | (21,798) |
| Customer deposits received | 4,843 | 4,843 |
| Customer deposits returned | (3,011) | (3,011) |
| Other operating revenues | 3,303 | 3,303 |
| Net cash provided by operating activities | <u>231,899</u> | <u>231,899</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Increase in due to other funds | (637) | (637) |
| Total cash flows used by noncapital financing activities | <u>(637)</u> | <u>(637)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (359,527) | (359,527) |
| Capital contributions - State grant | 252,013 | 252,013 |
| Capital contributions - Local grant | 100,000 | 100,000 |
| Net cash used by capital and related financing activities | <u>(7,514)</u> | <u>(7,514)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest | 5,481 | 5,481 |
| Net cash provided by investing activities | <u>5,481</u> | <u>5,481</u> |
| Net increase in cash and cash equivalents | 229,229 | 229,229 |
| Balances-beginning of the year | <u>1,005,765</u> | <u>1,005,765</u> |
| Balances-end of the year | <u><u>\$ 1,234,994</u></u> | <u><u>\$ 1,234,994</u></u> |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2020

| | Enterprise Fund | |
|--|------------------------|--------------|
| | Water and | |
| | Sewer | |
| | Fund | Total |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 208,876 | \$ 208,876 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 42,547 | 42,547 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (6,237) | (6,237) |
| Increase in deferred outflows of resources - pensions | 888 | 888 |
| Increase in net pension liability | 1,431 | 1,431 |
| Decrease in deferred inflows of resources - pensions | (162) | (162) |
| Decrease in accounts payable and accrued liabilities | (17,306) | (17,306) |
| Increase in customer deposits | 1,862 | 1,862 |
| Total adjustments | 23,023 | 23,023 |
| Net cash provided by operating activities | \$ 231,899 | \$ 231,899 |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of McAdenville, North Carolina 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 McAdenville, North Carolina is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental fund:

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 and various other taxes and licenses. The primary expenditures are for public safety and general government services.

The Town reports the following non-major governmental fund:

Park and Recreation Capital Projects Fund. This fund is used to account for the construction of a new town park.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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 fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments,

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects 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 all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are 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 .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 months.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. Restricted Assets

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

Town of McAdenville Restricted Cash

Governmental Activities:

General Fund:

| | |
|----------------------|------------------|
| Streets | \$ 52,790 |
| Parks and recreation | <u>46,666</u> |
| | <u>\$ 99,456</u> |

Business-type Activities:

Enterprise Fund:

| | |
|--------------------|------------------|
| Water & Sewer Fund | |
| Customer deposits | <u>\$ 26,655</u> |

| | |
|-----------------------|------------------|
| Total Restricted Cash | <u>\$126,111</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 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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. It is the Town's policy to capitalize any asset with a cost greater than \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| Asset Class | Estimated Useful Lives |
|-------------------------|---------------------------|
| Infrastructure | 30 |
| Buildings | 50 |
| Improvements | 25 |
| Vehicles | 6 |
| Furniture and equipment | 10 |
| Computer equipment | 3 |

6. 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 will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to a future period and so will not be recognized as revenue until then. The Town has two items that meets the criteria for this category – property taxes receivable, and deferrals for pension expense that result from the implementation of GASB Statement 68.

7. 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.

8. Compensated Absences

The Town's vacation policy provides vacation to be earned based on length of employment. However, vacation must be taken within the Town's next fiscal year. Any vacation earned, but not taken as of June 30, 2020 was paid on June 30, 2020. Therefore, there is no liability for compensated absences as of June 30, 2020.

The Town's sick leave policy provides for five days per fiscal year. Forty hours of sick leave may be accumulated and carried over to the next fiscal year. The Town has two full time employees that have this benefit. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net position

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

Fund Balances

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute – 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 recreation – portion of fund balance restricted by revenue source for recreation development.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assigned Fund Balance – portion of fund balance that Town of McAdenville 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 finance officer to modify the appropriations by resource or appropriation within funds up to 10% of the appropriated monies for the department.

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

The Town 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.

10. 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 McAdenville's employer contributions are recognized when due and the Town of McAdenville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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.

At June 30, 2020, the Town's deposits had a carrying amount of \$1,728,665 and a bank balance of \$1,752,875. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2020, the Town of McAdenville had \$713,817 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

The Town does not have a formal investment policy.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------------|------------------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 532,860 | \$ | \$ 10,360 | \$522,500 |
| Construction of park | <u>384,016</u> | <u>498,440</u> | <u>882,456</u> | |
| Total | <u>916,876</u> | <u>498,440</u> | <u>892,816</u> | <u>522,500</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 385,907 | | 120,907 | 265,000 |
| Town Hall renovation | 553,701 | | | 553,701 |
| Other improvements | 368,739 | 882,456 | | 1,251,195 |
| Equipment | 119,522 | | | 119,522 |
| Infrastructure | <u>1,585,232</u> | | | <u>1,585,232</u> |
| Total | <u>3,013,101</u> | <u>882,456</u> | <u>120,907</u> | <u>3,774,650</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 165,776 | 17,382 | 107,406 | 75,752 |
| Other improvements | 82,938 | 34,100 | | 117,038 |
| Equipment | 49,797 | 9,445 | | 59,242 |
| Infrastructure | <u>580,980</u> | <u>43,560</u> | | <u>624,540</u> |
| Total | <u>879,491</u> | <u>\$104,487</u> | <u>\$107,406</u> | <u>876,572</u> |
| Total capital assets depreciated, net | <u>2,133,610</u> | | | <u>2,898,078</u> |
| Governmental activity capital assets, net | <u>\$3,050,486</u> | | | <u>\$3,420,578</u> |

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

| | |
|----------------------------|------------------|
| General government | \$ 43,278 |
| Transportation | 43,560 |
| Parks and recreation | <u>17,649</u> |
| Total depreciation expense | <u>\$104,487</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------------|---------------------|--------------------|
| Business-type activities: | | | | |
| <i>Water and Sewer Fund</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | <u>\$1,225,970</u> | <u>\$333,894</u> | <u>\$1,559,864</u> | <u>\$ 0</u> |
| Capital assets being depreciated: | | | | |
| Other improvements | <u>1,691,705</u> | <u>475,254</u> | <u> </u> | <u>2,166,959</u> |
| Less accumulated depreciation for: | | | | |
| Other improvements | <u>425,103</u> | <u>\$ 42,547</u> | <u>\$ </u> | <u>467,650</u> |
| Water and Sewer capital assets depreciated, net | <u>1,266,602</u> | | | <u>1,699,309</u> |
| Business-type activities Capital assets, net | <u>\$2,492,572</u> | | | <u>\$1,699,309</u> |

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

Contributions to the pension plan from the Town of McAdenville were \$8,750 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2020, the Town reported a liability of \$44,514 for its proportionate share of the net pension liability. The net pension liability was measured at 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, the Town's proportion was 0.00163%, which was an increase of 0.00008% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$20,416. 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 | \$ 7,623 | \$ |
| Changes of assumptions | 7,255 | |
| Net differences between projected and actual earnings on pension plan investments | 1,086 | |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,679 | 1,500 |
| Town contributions subsequent to the measurement date | 8,750 | |
| Total | <u>\$ 27,393</u> | <u>\$ 1,500</u> |

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$8,750 reported as deferred outflows of resources related to pensions resulting from the 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 related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------------|
| 2021 | \$ 8,075 |
| 2022 | 3,592 |
| 2023 | 4,361 |
| 2024 | 1,112 |
| 2025 | |
| Thereafter | |
| | <u>\$ 17,140</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuations 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 production 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | <u>6.0%</u> | 4.0% |
| | <u>100.0%</u> | |

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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

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 employees 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 <u>(6.00%)</u> | Discount Rate <u>(7.00%)</u> | 1% Increase <u>(8.00%)</u> |
|---|----------------------------------|------------------------------------|----------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$101,812 | \$44,514 | (\$3,112) |

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

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

b. Supplemental Retirement Income Plan for General Government Employees

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. Contributions for the year ended June 30, 2020 were \$0.

The Town has also elected to contribute to the Supplemental Retirement Income Plan for the general employees as well as for the law enforcement officers. The contribution rate for general employees equaled five percent of the employee's salary. The Town's contributions were calculated using a covered payroll amount of \$90,371. Total contributions for the year ended June 30, 2020 were \$4,519, which consisted of \$4,519 from the Town. Voluntary contributions to the plan were \$3,650.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

2. Deferred Outflows and Inflows of Resources

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

| <u>Source</u> | <u>Amount</u> |
|---|-----------------|
| Contributions to pension plan in current fiscal year | \$ 8,750 |
| Differences between expected and actual experience | 7,623 |
| Changes of assumptions | 7,255 |
| Net difference between projected and actual | 1,086 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>2,679</u> |
| | <u>\$27,393</u> |

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

| | <u>Statement of Net Position</u> | <u>General Fund Balance Sheet</u> |
|---|--------------------------------------|---------------------------------------|
| Taxes receivable (General Fund), less penalties | \$ | \$ 5,047 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>1,500</u> | |
| | <u>\$ 1,500</u> | <u>\$ 5,047</u> |

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has secured insurance coverage with an insurance company and is a participant in an employee accident and health insurance pool administered by the North Carolina League of Municipalities. The Town's insurance coverage provides the following types of major coverage for the amounts of retained risk noted; general liability (\$1,000,000), auto (\$1,000,000), and worker's compensation (\$1,000,000 per occurrence). The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Town Council each year. 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.

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

Through the health insurance pool, the Town obtains employee health coverage up to a \$2 million lifetime limit. The pool is reinsured for annual employee health claims in excess of \$150,000.

The Town does not maintain any flood insurance.

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 is performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees are insured under a blanket bond of \$10,000 (per occurrence) for employee dishonesty and forgery or alteration. In addition, the Town maintains insurance on employees of \$5,000 (per occurrence) for theft of money and securities both inside and outside the premises.

4. Changes in Long-Term Liabilities

| | Beginning Balance | Increase | Decrease | Ending Balance | Current Portion of Balance |
|----------------------------------|----------------------|-----------------|-------------|-------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Net pension liability (LGERS) | <u>\$ 29,541</u> | <u>\$ 6,312</u> | <u>\$ 0</u> | <u>\$ 35,853</u> | <u>\$ 0</u> |
| Business-type Activities: | | | | | |
| <u>Water & Sewer Fund</u> | | | | | |
| Net pension liability (LGERS) | <u>\$ 7,230</u> | <u>\$ 1,431</u> | <u>\$ 0</u> | <u>\$ 8,661</u> | <u>\$ 0</u> |

5. 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 allocation of costs from the:

| | |
|--------------------|-----------------|
| Water & Sewer Fund | <u>\$21,797</u> |
|--------------------|-----------------|

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 2: DETAIL NOTES ON ALL FUNDS (CONTINUED)

The interfund balance 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 General Fund to the Park and Recreation Fund to fund the local match required by the grant agreement | <u>\$197,576</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 by matching funds for various grant agreements.

6. Fund Balances

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

| | |
|-----------------------------------|-------------------|
| Total Fund Balance – General Fund | \$1,314,817 |
| Less: | |
| Stabilization by State Statute | 454,037 |
| Restricted for recreation | 46,666 |
| Streets- Powell Bill | <u>52,790</u> |
| Remaining Fund Balance | <u>\$ 761,324</u> |

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

| | | |
|---------------------|---------------------|------------------------|
| <u>Encumbrances</u> | <u>General Fund</u> | <u>Non-Major Funds</u> |
| | \$335,000 | \$ 0 |

TOWN OF MCADENVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

NOTE 3: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4: INTERLOCAL AGREEMENTS

The Town has entered into an agreement with Town of Cramerton for police safety and fire safety. The total contract amount for police services is \$255,000 per year. The contract amount for fire safety is \$65,000 per year.

NOTE 5: SEWER REVOLVING LOAN

The North Carolina Local Government Commission approved a sewer revolving loan in the amount of \$320,494. The rate as established under this program for the respective loan, State or Federal, is not to exceed 4%. This loan will be used by the Town to help finance their portion of the South Fork Sewer Project – Phase II. As of June 30, 2020, there were no outstanding draws made on this loan. Subsequent to year end, the entire amount available to the Town under the loan agreement was received.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF MCADENVILLE, NORTH CAROLINA

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

REQUIRED SUPPLEMENTARY INFORMATION

Last Seven Fiscal Years

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| McAdenville's proportion of the net pension liability (asset) | 0.00163% | 0.00155% | 0.00133% | 0.00065% | 0.00184% | 0.00100% | 0.00128% |
| McAdenville's proportion of the net pension liability (asset) (\$) | \$ 44,514 | \$ 36,771 | \$ 20,319 | \$ 13,793 | \$ 8,256 | \$ (7,550) | \$ 12,054 |
| McAdenville's covered-employee payroll | \$ 92,408 | \$ 86,237 | \$ 80,743 | \$ 75,930 | \$ 88,052 | \$ 64,247 | \$ 47,211 |
| McAdenville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 48.17% | 42.64% | 25.17% | 18.17% | 9.38% | -11.75% | 25.53% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.63% | 94.18% | 91.47% | 98.07% | 99.07% | 102.64% | 94.35% |

TOWN OF MCADENVILLE, NORTH CAROLINA

TOWN OF MCADENVILLE'S CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

Last Seven Fiscal Years

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Contractually required contribution | \$ 8,750 | \$ 7,162 | \$ 6,468 | \$ 5,878 | \$ 5,080 | \$ 6,225 | \$ 10,305 |
| Contributions in relation to the contractually required | <u>8,750</u> | <u>7,162</u> | <u>6,468</u> | <u>5,878</u> | <u>5,080</u> | <u>6,225</u> | <u>10,305</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| McAdenville's covered-employee payroll | \$ 97,771 | \$ 92,408 | \$ 86,237 | \$ 80,743 | \$ 75,930 | \$ 88,052 | \$ 64,247 |
| Contribution as a percentage of covered-employee payroll | 8.95% | 7.75% | 7.50% | 7.28% | 6.69% | 7.07% | 16.04% |

INDIVIDUAL FUND FINANCIAL STATEMENTS

TOWN OF MCADENVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2020

| | 2020 | | Variance Favorable (Unfavorable) |
|---------------------------------|----------------|------------------|--|
| | Budget | Actual | |
| REVENUES | | | |
| Ad valorem taxes | | | |
| Taxes | \$ 470,000 | \$ 494,451 | \$ 24,451 |
| Interest | | 328 | 328 |
| Total | <u>470,000</u> | <u>494,779</u> | <u>24,779</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales tax | 130,000 | 173,088 | 43,088 |
| Telecommunications sales tax | | 4,376 | 4,376 |
| Utilities sales tax | 265,000 | 261,465 | (3,535) |
| Piped natural gas sales tax | | 2,165 | 2,165 |
| Video franchise fee | | 4,427 | 4,427 |
| Solid waste disposal fees | 400 | 527 | 127 |
| Beer and wine tax | 2,500 | 2,981 | 481 |
| Total | <u>397,900</u> | <u>449,029</u> | <u>51,129</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | <u>17,500</u> | <u>19,153</u> | <u>1,653</u> |
| Licenses and permits | | | |
| Building permits | <u>500</u> | <u>1,075</u> | <u>575</u> |
| Investment earnings | | | |
| Investment earnings | <u>7,100</u> | <u>7,721</u> | <u>621</u> |
| Miscellaneous | | | |
| Other | 20,600 | 53,961 | 33,361 |
| Fund balance appropriated | 42,000 | | (42,000) |
| Total | <u>62,600</u> | <u>53,961</u> | <u>(8,639)</u> |
| TOTAL REVENUES | <u>955,600</u> | <u>1,025,718</u> | <u>70,118</u> |

TOWN OF MCADENVILLE, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2020

| | 2020 | | Variance |
|--------------------------------------|---------|---------|----------------------------|
| | Budget | Actual | Favorable (Unfavorable) |
| EXPENDITURES | | | |
| General government | | | |
| Administrative salaries | 115,350 | 101,448 | 13,902 |
| Professional service | 80,000 | 70,946 | 9,054 |
| Retirement | 7,500 | 7,157 | 343 |
| FICA expense | 9,500 | 7,761 | 1,739 |
| 401-K | 4,150 | 3,800 | 350 |
| Unemployment insurance reimbursement | 500 | | 500 |
| Group insurance | 22,500 | 19,118 | 3,382 |
| General insurance | 7,000 | 6,207 | 793 |
| Telephone | 9,000 | 7,900 | 1,100 |
| Travel | 5,000 | 797 | 4,203 |
| Supplies | 3,500 | 2,169 | 1,331 |
| Dues and subscriptions | 3,500 | 3,122 | 378 |
| Advertisements | 1,000 | 410 | 590 |
| Miscellaneous | 10,400 | 8,570 | 1,830 |
| Maintenance | 12,000 | 12,397 | (397) |
| Equipment maintenance | 8,500 | 7,923 | 577 |
| Capital outlay | 17,079 | - | 17,079 |
| Street repairs | 33,500 | 10,035 | 23,465 |
| Water and trash | 1,500 | 1,116 | 384 |
| Security - fire /burglar | 750 | 676 | 74 |
| Cleaning service-Town Hall | 6,500 | 5,250 | 1,250 |
| Bridge lighting | 30,000 | 12,979 | 17,021 |
| Utilities | 8,000 | 5,012 | 2,988 |
| Total general government | 396,729 | 294,793 | 101,936 |

TOWN OF MCADENVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2020

| | 2020 | | |
|---|----------|-----------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| EXPENDITURES (CONTINUED) | | | |
| Public safety | | | |
| Professional services | 16,000 | 12,537 | 3,463 |
| Contract services | 225,750 | 225,750 | - |
| Fire Department contribution | 55,000 | 55,000 | - |
| Total public safety | 296,750 | 293,287 | 3,463 |
| Sanitation | | | |
| Garbage disposal | 100,000 | 92,388 | 7,612 |
| Parks and recreation: | | | |
| Park maintenance | 90,000 | 79,109 | 10,891 |
| Transportation | | | |
| Street capital outlay and maintenance | 55,000 | 22,865 | 32,135 |
| TOTAL EXPENDITURES | 938,479 | 782,442 | 156,037 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 17,121 | 243,276 | 226,155 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer to other funds | | | |
| Transfer to Capital Project Fund | (17,121) | (197,576) | (180,455) |
| Total other financing sources (uses) | (17,121) | (197,576) | (180,455) |
| Revenues and other financing sources over (under) expenditures | \$ - | 45,700 | \$ 45,700 |
| FUND BALANCE: | | | |
| Fund balance, beginning of year | | 1,269,117 | |
| Fund balance, end of year | | 1,314,817 | |

TOWN OF MCADENVILLE, NORTH CAROLINA

**CAPITAL PROJECT FUND -
PARKS AND RECREATION PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

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

| | | <u>Actual</u> | | | |
|---|----------------------------------|------------------------|-------------------------|--------------------------|---|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
| REVENUES: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants - State | \$ 350,000 | \$ 180,455 | \$ 169,545 | \$ 350,000 | \$ - |
| Total | <u>350,000</u> | <u>180,455</u> | <u>169,545</u> | <u>350,000</u> | <u>-</u> |
| EXPENDITURES: | | | | | |
| McAdenville Park | | | | | |
| Professional services | 37,903 | 41,344 | 15,572 | 56,916 | (19,013) |
| Natural surface trails | 19,410 | 6,419 | 13,000 | 19,419 | (9) |
| Hard surface trails | 468,426 | 206,799 | 358,935 | 565,734 | (97,308) |
| Bridges | 217,607 | 129,454 | 88,153 | 217,607 | - |
| Parking lot | 17,870 | - | 17,870 | 17,870 | - |
| Miscellaneous | 35,000 | | 4,910 | 4,910 | 30,090 |
| Contingency | 50,000 | | | - | 50,000 |
| Total | <u>846,216</u> | <u>384,016</u> | <u>498,440</u> | <u>882,456</u> | <u>(36,240)</u> |
| REVENUES OVER (UNDER) | | | | | |
| EXPENDITURES | <u>(496,216)</u> | <u>(203,561)</u> | <u>(328,895)</u> | <u>(532,456)</u> | <u>(36,240)</u> |
| OTHER FINANCING SOURCES: | | | | | |
| Contribution from private entity | 316,216 | 184,897 | 131,319 | 316,216 | - |
| Transfer from general fund | 180,000 | 18,664 | 197,576 | 216,240 | 36,240 |
| | <u>496,216</u> | <u>203,561</u> | <u>328,895</u> | <u>532,456</u> | <u>36,240</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF MCADENVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)**

For the Fiscal Year Ended June 30, 2020

| | 2020 | | Variance |
|----------------------------------|------------|------------|----------------------------|
| | Budget | Actual | Favorable (Unfavorable) |
| REVENUES | | | |
| Operating revenues | | | |
| Water and sewer charges | \$ 540,000 | \$ 644,474 | \$ 104,474 |
| Water and sewer hookups and fees | 3,300 | 3,253 | (47) |
| TOTAL OPERATING REVENUES | 543,300 | 647,727 | 104,427 |
| Nonoperating revenues | | | |
| Interest | 5,000 | 5,481 | 481 |
| TOTAL REVENUES | 548,300 | 653,208 | 104,908 |
| OPERATING EXPENSES | | | |
| Purchase of water | 340,000 | 272,543 | 67,457 |
| Metered sewer charges | 58,000 | 47,612 | 10,388 |
| Salaries | 18,600 | 18,073 | 527 |
| Payroll taxes and benefits | 4,155 | 3,725 | 430 |
| Repairs | 44,545 | 19,538 | 25,007 |
| Operation of treatment plant | 68,000 | 20,211 | 47,789 |
| Miscellaneous | 15,000 | 12,446 | 2,554 |
| | 548,300 | 394,148 | 154,152 |
| TOTAL EXPENSES | 548,300 | 394,148 | 154,152 |
| REVENUES OVER EXPENSES | \$ - | \$ 259,060 | \$ 259,060 |

TOWN OF MCADENVILLE, NORTH CAROLINA

**WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)**

For the Fiscal Year Ended June 30, 2020

| | 2020 | | Variance |
|--|-------------|---------------------|----------------------------|
| | Budget | Actual | Favorable (Unfavorable) |
| REVENUES OVER EXPENSES | <u>\$ -</u> | \$ 259,060 | <u>\$ 259,060</u> |
| RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL | | | |
| RECONCILING ITEMS | | | |
| Transfer of capital assets to City of Gastonia | | (1,084,610) | |
| Capital contributions | | 13,400 | |
| Increase in deferred outflows of resources - pensions | | (888) | |
| Increase in net pension liability | | (1,431) | |
| Increase in deferred inflows of resources - pensions | | 163 | |
| Depreciation | | <u>(42,547)</u> | |
| Total | | <u>(1,115,913)</u> | |
| CHANGE IN NET POSITION | | <u>\$ (856,853)</u> | |

TOWN OF MCADENVILLE, NORTH CAROLINA

SOUTH FORK SEWER CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

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

| | | Actual | | | Variance |
|---|--------------------------|------------------|------------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Positive (Negative) |
| REVENUES: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants - State | \$ 750,000 | \$ 735,582 | \$ 3,788 | \$ 739,370 | \$ (10,630) |
| Grants - Local | 500,000 | 490,388 | 9,612 | 500,000 | - |
| Total | <u>1,250,000</u> | <u>1,225,970</u> | <u>13,400</u> | <u>1,239,370</u> | <u>(10,630)</u> |
| EXPENDITURES: | | | | | |
| Sewer Project | | | | | |
| Construction | <u>1,570,494</u> | <u>1,225,970</u> | <u>333,894</u> | <u>1,559,864</u> | <u>10,630</u> |
| Total | <u>1,570,494</u> | <u>1,225,970</u> | <u>333,894</u> | <u>1,559,864</u> | <u>10,630</u> |
| REVENUES OVER EXPENDITURES | <u>(320,494)</u> | | <u>(320,494)</u> | <u>(320,494)</u> | |
| OTHER FINANCING SOURCES: | | | | | |
| Proceeds from DWI Loan | <u>320,494</u> | | <u>320,494</u> | <u>320,494</u> | |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

OTHER SCHEDULES

TOWN OF MCADENVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2020

| Fiscal Year | Uncollected Balance June 30, 2019 | Additions | Collections and Credits | Uncollected Balance June 30, 2020 |
|----------------|--|-------------------|----------------------------|--|
| 2009-2010 | \$ 166 | \$ | \$ 166 | \$ |
| 2010-2011 | 102 | | 94 | 8 |
| 2011-2012 | 111 | | 95 | 16 |
| 2012-2013 | 150 | | 100 | 50 |
| 2013-2014 | 177 | | 142 | 35 |
| 2014-2015 | 28 | | 10 | 18 |
| 2015-2016 | 96 | | 78 | 18 |
| 2016-2017 | 590 | | 32 | 558 |
| 2017-2018 | 943 | | 153 | 790 |
| 2018-2019 | 1,123 | | 429 | 694 |
| 2019-2020 | <u> </u> | <u>496,890</u> | <u>494,030</u> | <u>2,860</u> |
| | <u>\$ 3,486</u> | <u>\$ 496,890</u> | <u>\$ 495,329</u> | <u>\$ 5,047</u> |

Reconcilement with revenues:

Taxes-ad valorem-general fund \$ 494,779

Reconciling items:

Interest collected (328)

Taxes written off 878

Total collections and credits \$ 495,329

TOWN OF MCADENVILLE
ANALYSIS OF CURRENT TAX LEVY
Town - Wide Levy
June 30, 2020

| | Town - Wide | | | Total Levy | |
|------------------------------------|-----------------------|------|-------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 150,815,455 | 0.33 | \$ 497,691 | \$ 463,490 | \$ 34,201 |
| Releases | (243,030) | 0.33 | (801) | (216) | (585) |
| Total property valuation | <u>\$ 150,572,424</u> | | | | |
| Net levy | | | 496,890 | 463,274 | 33,616 |
| Uncollected taxes at June 30, 2020 | | | (2,860) | (2,860) | |
| Current year's taxes collected | | | <u>\$ 494,030</u> | <u>\$ 460,414</u> | <u>\$ 33,616</u> |
| Current levy collection percentage | | | <u>99.42%</u> | <u>99.38%</u> | <u>100.00%</u> |

COMPLIANCE SECTION

**Report on Internal Control Over Financial Reporting and On Compliance and Other
Matters Based on An Audit Of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

November 24, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of McAdenville, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of McAdenville's basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2020-1 that we considered to be a material weakness.

Compliance and Other Matters

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

Town of McAdenville's Response to Findings

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

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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Butler & Stowe

TOWN OF MCADENVILLE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2020

Finding: 20-1

MATERIAL WEAKNESS

Segregation of duties

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

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

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

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

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Response: The duties will be separated as much as possible and alternate controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.