

Town of Yanceyville
FINANCIAL STATEMENTS
June 30, 2018

Yanceyville, North Carolina



TOWN OF YANCEYVILLE
NORTH CAROLINA

TOWN COUNCIL

Alvin Foster, Mayor

Odessa Gwynn, Mayor Pro Tem

Margie Badgett-Lampkin

Brian Massey

Keith Tatum

Brian Collie, Town Manager
Ryan Strader, Finance Officer

TOWN OF YANCEYVILLE, NORTH CAROLINA

TABLE OF CONTENTS

June 30, 2018

FINANCIAL SECTION:

| | | |
|------------------------------------|------|---|
| Independent Auditor's Report | Page | 3 |
|------------------------------------|------|---|

General Purpose Financial Statements:

Exhibit

| | | |
|---|--|----|
| 1 | Combined Balance Sheet – All Fund Types and Account Groups | 5 |
| 2 | Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types | 6 |
| 3 | Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Fund Types | 8 |
| 4 | Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – All Proprietary Fund Types | 9 |
| 6 | Statement of Net Assets – Proprietary Funds | 11 |
| 7 | Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds | 12 |
| 8 | Combined Statement of Cash Flows – All Proprietary Fund Types | 13 |
| | Notes to the Financial Statements | 15 |

Combining and Individual Fund Financial Statements Section:

General Fund:

| | | |
|-----|---|----|
| A-1 | Comparative Balance Sheets | 36 |
| A-2 | Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 37 |

Special Revenue Fund:

Perpetual Care Fund:

| | | |
|-----|---|----|
| B-1 | Comparative Balance Sheets | 45 |
| B-2 | Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances | 46 |
| B-3 | Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 47 |

Enterprise Funds:

| | | |
|-----|--|----|
| C-1 | Combining Balance Sheet | 48 |
| C-2 | Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Accumulated Deficit) | 50 |
| C-3 | Combining Statement of Cash Flows | 51 |

TOWN OF YANCEYVILLE, NORTH CAROLINA

TABLE OF CONTENTS

June 30, 2018

Combining and Individual Fund Financial Statements Section: (continued)

Water and Sewer Fund:

| | | |
|-----|--|----|
| C-4 | Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 53 |
| C-5 | Water and Sewer Capital Projects – Landfill Waterline – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 56 |
| C-6 | Water and Sewer Capital Projects – Highway 61 North Waterline Replacement – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 57 |
| C-7 | Water and Sewer Capital Projects – Highway 70 Sewer Outfall Project – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 58 |

Housing Authority Fund:

| | | |
|-----|--|----|
| C-8 | Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 59 |
|-----|--|----|

OTHER SCHEDULES:

| | | |
|-----|---|----|
| D-1 | Schedule of Ad Valorem Taxes Receivable | 62 |
| D-2 | Analysis of Current Tax Levy | 63 |
| D-3 | Schedule of Transfers | 64 |

COMPLIANCE SECTION:

| | |
|---|----|
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 65 |
| Schedule of Findings and Responses | 67 |
| Corrective Action Plan..... | 69 |
| Summary of Schedule of Prior Audit Findings..... | 70 |
| Schedule of Expenditures of Federal and State Awards | 71 |
| Major Fund Determination | 72 |



**STOUT
STUART
MCGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

*Member of PCPS,
the AICPA Alliance
For CPA Firms*

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the Town Council
Town of Yanceyville
Yanceyville, 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 Yanceyville, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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 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 design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit , 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 Yanceyville, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and respective budgetary comparison for the General Fund for the year 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 6 to 16 respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 55 and 56, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 57 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of Town of Yanceyville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Yanceyville internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
November 28, 2018



**TOWN OF YANCEYVILLE, NORTH CAROLINA
“TRADITION WITH VISION”**

**MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT
Fiscal Year ending June 30, 2018**

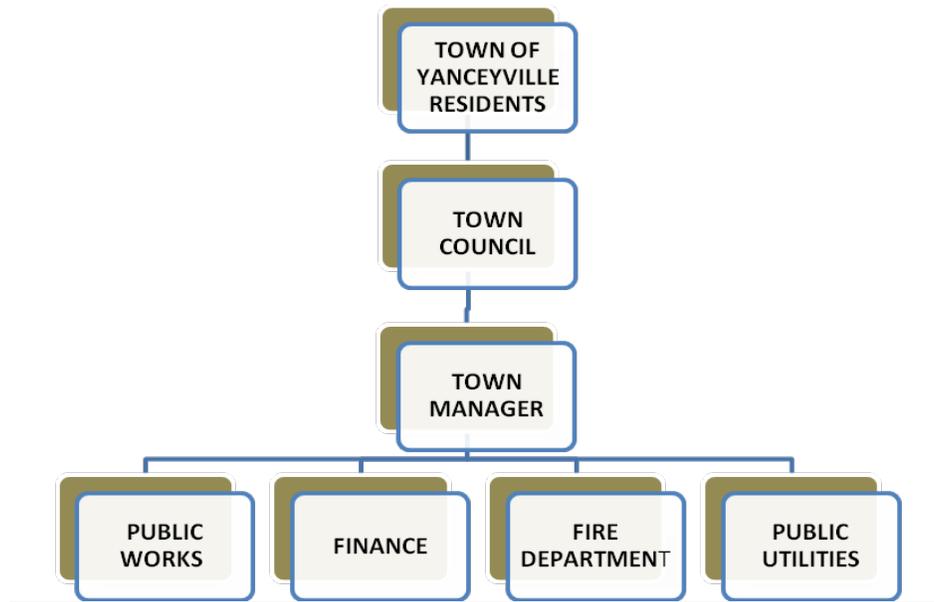
It has long been recognized that financial statements alone are not sufficient to communicate overall performance of an entity. As management of the Town of Yanceyville, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The Management’s Discussion and Analysis Report is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town’s financial activity, identify changes in the Town’s financial condition, identify material deviations from the financial budget, and identify individual fund issues or concerns. In addition to reporting the financial condition of the town we strive to offer an overview of the economic impact as well as the economic development and future planning and projects that will impact the town’s future growth.

Since the MD&A Report is structured to focus on the current year’s activities, resulting changes and currently known facts, readers are encouraged to consider the information presented in conjunction with the additional information furnished in the transmittal letter of this report, and the Town’s financial statements, which follow this section.

MISSION STATEMENT

Adopted December 7, 2004 the mission of the Town of Yanceyville is to provide its citizens and visitors a clean, safe, hometown atmosphere that anyone would be proud to call home. Yanceyville will strive to prepare and build for the future, while at the same time maintain and preserve our deep-rooted heritage that has been an important part of this community for over two hundred years.

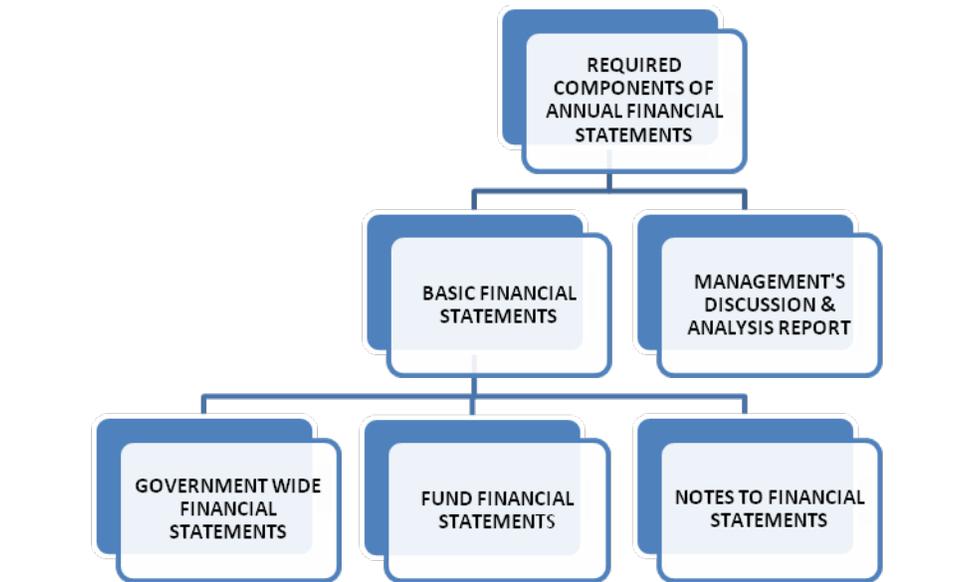
ORGANIZATIONAL STRUCTURE



FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the Town of Yanceyville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,577,782.
- The governments total net position increased by \$708,377, primarily due to an increase of \$525,875 in the governmental-type activities and an increase of \$182,502 for business-type activities net position.
- At the end of the current fiscal year, the Town of Yanceyville's governmental funds reported combined ending fund balances of \$1,728,658, with a net increase of \$256,680 in fund balance. Approximately 21.55% of this total amount, or \$372,582, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,354,767, or 49.96% of total general fund expenditures for the fiscal year.
- The Town of Yanceyville's outstanding debt decreased by \$416,385.

OVERVIEW OF FINANCIAL STATEMENTS



The following discussion and analysis are intended to serve as an introduction to the Town of Yanceyville's basic financial statements. The financial statements are comprised of two kinds of statements that present two different views: (A) Government-Wide Financial Statements and (B) Fund Financial Statements. Both perspectives are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. Also important to the basic financial statements are the notes to the financial statements. This report contains other supplementary information in addition to the basic statements that will enhance the reader's understanding of the financial condition of the Town.

BASIC FINANCIAL STATEMENTS

The first statement in the basic financial statements is the governmental-wide Financial Statements that provide an overview of the Town's financial status. Following are the Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government and provide greater detail than the government-wide statements. There are two parts to the Fund Financial Statements: (A) Governmental Funds Statements, (B) Budgetary Comparison Statements.

The section following the basic financial statements is the Notes. These provide explanation in detail of the data contained in the statements. After Notes you will see supplemental information which is provided to show details about the Town's individual funds, followed by budgetary information which is required by General Statutes.

A. *Government-wide financial statements*

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

The two government-wide financial statements show the Town's net position and how they have changed. Increases or decreases in net position is one way to gauge the financial health of the Town's financial condition.

The government-wide Financial Statements are divided into two categories:

1. *Governmental Activities*: This statement includes the Town's basic services such as public safety, public works, and general administration. These activities are funded primarily by property taxes, sales taxes, and grants.
2. *Business-type Activities*: The Town charges fees to customers to fund the services it provides. The Town's water and sewer activities are the primary source of funds in this category.

B. *Fund Financial Statements*

A "fund" is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. The Town of Yanceyville uses fund accounting, like all other governmental entities in North Carolina, to ensure and reflect compliance with finance-related legal requirements by General Statutes of North Carolina and/or the Town's budget ordinance. The fund financial statements provide detailed information while focusing on fiscal accountability and are used to account for specific sources of funding such as those required by state law, bond covenants, and spending for a particular purpose. The funds for the Town of Yanceyville are divided into three categories: Governmental Funds, Business-Type Funds and Special Revenue Funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 upcoming year. Reporting in this fund uses Modified Accrual Accounting which provides a short-term spending focus. The governmental fund financial statements give the reader a detailed short-term view that enables them to determine if there are more or less financial resources available to finance the Town's programs.

The Town of Yanceyville adopts an annual appropriated budget for its General Fund, as required by the General Status of North Carolina. This is a legally adopted document that serves to provide how to pay for services the Town provides its citizens. The relationship between the governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements. The budgetary statement for the General Fund demonstrates how well the Town complied with the adopted budget ordinance and also whether the Town was successful in providing the services planned at the time the budget was adopted.

Proprietary Funds are used to report the same functions as business-type activities in the government-wide financial statements, that is in the case of the Town of Yanceyville, Enterprise Funds which support the water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

C. *Notes to the financial statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-54 of this report.

D. *Other Information*

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Yanceyville's progress in funding its obligation to provide pension benefits to its Employees. Required supplementary information can be found beginning on page 55-57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure 2

**TOWN OF YANCEYVILLE
NET POSITION**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 1,777,828 | \$ 1,522,259 | \$ 2,246,121 | \$ 2,088,456 | \$ 4,023,949 | \$ 3,610,715 |
| Capital assets | 3,008,513 | 2,932,731 | 9,222,147 | 9,416,754 | 12,230,660 | 12,349,485 |
| Deferred outflows of resources | 19,864 | 14,956 | 40,329 | 78,517 | 60,193 | 93,473 |
| Total assets and deferred outflows of resources | 4,806,205 | 4,469,946 | 11,508,597 | 11,583,727 | 16,314,802 | 16,053,673 |
| Long-term liabilities outstanding | 555,669 | 736,062 | 3,007,887 | 3,253,263 | 3,563,556 | 3,989,325 |
| Other liabilities | 14,256 | 24,424 | 152,640 | 125,881 | 166,896 | 150,305 |
| Deferred inflows of resources | 2,167 | 1,222 | 4,401 | 6,416 | 6,568 | 7,638 |
| Total liabilities and deferred inflows of resources | 572,092 | 761,708 | 3,164,928 | 3,385,560 | 3,737,020 | 4,147,268 |
| Net position | | | | | | |
| Net investment in capital assets | 2,483,513 | 2,215,931 | 6,294,598 | 6,264,620 | 8,778,111 | 8,480,551 |
| Restricted | 373,891 | 330,018 | 130,911 | - | 504,802 | 330,018 |
| Unrestricted | 1,376,709 | 1,162,289 | 1,918,160 | 1,896,547 | 3,294,869 | 3,058,836 |
| Total net position | \$ 4,234,113 | \$ 3,708,238 | \$ 8,343,669 | \$ 8,161,167 | \$ 12,577,782 | \$ 11,869,405 |

As noted earlier, net position may serve overtime as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Yanceyville exceeded liabilities and deferred inflows by \$4,234,113 as of June 30, 2018. The Town’s net position increased by \$587,965. However, the largest portion (69.79%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment).

The Town of Yanceyville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Yanceyville’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Yanceyville’s net position, \$504,802, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,294,869 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintain a tax collection percentage of 98.63%. The statewide average in fiscal year 2018 was 98.78%.

**Figure 3
Town of Yanceyville's
Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 70,021 | \$ 74,249 | \$ 1,659,034 | \$ 1,562,568 | \$ 1,729,055 | \$ 1,636,817 |
| Operating grants and contributions | 50,976 | - | - | - | 50,976 | - |
| Capital grants and contributions | 352,411 | - | 47,000 | - | 399,411 | - |
| General revenue | | | | | | |
| Property taxes | 327,391 | 328,590 | - | - | 327,391 | 328,590 |
| Other taxes | 316,710 | 320,851 | - | - | 316,710 | 320,851 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | - |
| Other | 857 | 500,545 | 32,756 | 30,450 | 33,613 | 530,995 |
| Total revenues | 1,118,366 | 1,224,235 | 1,738,790 | 1,593,018 | 2,857,156 | 2,817,253 |
| Expenses | | | | | | |
| General government | 318,771 | 344,128 | | | 318,771 | 344,128 |
| Public safety | 199,641 | 191,327 | | | 199,641 | 191,327 |
| Transportation | 39,044 | 9,618 | | | 39,044 | 9,618 |
| Economic and physical development | 2,823 | 3,008 | | | 2,823 | 3,008 |
| Cultural and recreation | 19,662 | 22,700 | | | 19,662 | 22,700 |
| Public works | 99,239 | 96,670 | | | 99,239 | 96,670 |
| Interest on long-term debt | 5,738 | 15,669 | | | 5,738 | 15,669 |
| Water and sewer | | | 1,584,273 | 1,380,005 | 1,584,273 | 1,380,005 |
| Total expenses | 684,918 | 683,120 | 1,584,273 | 1,380,005 | 2,269,191 | 2,063,125 |
| Increase in net position before transfers | 433,448 | 541,115 | 154,517 | 213,013 | 587,965 | 754,128 |
| Transfers | - | - | - | - | - | - |
| Increase in net position | 433,448 | 541,115 | 154,517 | 213,013 | 587,965 | 754,128 |
| Beginning net position | 3,708,238 | 3,167,123 | 8,161,167 | 7,948,154 | 11,869,405 | 11,115,277 |
| Net position, beginning, restated | 3,800,665 | 3,167,123 | 8,189,152 | 7,948,154 | 11,989,817 | 11,115,277 |
| Net position, June 30 | \$ 4,234,113 | \$ 3,708,238 | \$ 8,343,669 | \$ 8,161,167 | \$ 12,577,782 | \$ 11,869,405 |

Governmental Activities

Governmental activities increased the Town's net position by \$433,448.

Business-type Activities

Business-type activities increased the Town's net position by \$154,517.

The Town of Yanceyville operates one enterprise fund, the Water and Sewer Fund that constitutes all of the business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The general fund is the chief operating fund of the Town of Yanceyville. At the end of the current fiscal year, the Town of Yanceyville's fund balance available in the General Fund was \$1,354,767, while total fund balance increased to \$1,727,349. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 49.6% of total General Fund expenditures.

As of June 30, 2018, the governmental funds of the Town of Yanceyville reported a combined fund balance of \$1,728,658, with a net increase in fund balance of \$256,680. Included in this change in fund balance is an increase in fund balance for General Fund and Special Revenue fund.

Proprietary Funds: The Town of Yanceyville'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 \$1,918,160. The total change in net position for the Water and Sewer Fund was \$154,517. Other factors that concern the finances this fund have already been addressed in the discussion of the Town of Yanceyville's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totals \$12,230,661 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Construction in progress for water and sewer capital assets of \$264,901

Figure 4
Town of Yanceyville's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 424,581 | \$ 424,581 | \$ 19,407 | \$ 19,407 | \$ 443,988 | \$ 443,988 |
| Building and system | 1,393,449 | 1,426,866 | 383,850 | 396,390 | 1,777,299 | 1,823,256 |
| Improvements other than buildings | 485,816 | 496,533 | 143,189 | 147,629 | 629,005 | 644,162 |
| Plants and distribution system | - | - | 8,323,139 | 8,592,700 | 8,323,139 | 8,592,700 |
| Vehicles and equipment | 514,317 | 584,751 | 87,661 | 114,727 | 601,978 | 699,478 |
| Art | 190,350 | - | - | - | 190,350 | - |
| Construction in progress | - | - | 264,901 | 145,901 | 264,901 | 145,901 |
| Total | \$ 3,008,513 | \$ 2,932,731 | \$ 9,222,147 | \$ 9,416,754 | \$ 12,230,660 | \$ 12,349,485 |

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

Long-term Debt. As of June 30, 2018, the Town of Yanceyville had total long term debt of \$3,452,579. \$2,747,579 of this debt represents bond secured solely by specific revenue sources (e.g. revenue bonds).

Figure 5
Outstanding Debt

Town of Yanceyville's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Installment debt | \$ - | \$ 116,800 | \$ 180,000 | \$ 270,000 | \$ 180,000 | \$ 386,800 |
| Revenue bonds | - | - | 2,747,549 | 2,882,134 | 2,747,549 | 2,882,134 |
| Other financing agreement | 525,000 | 600,000 | - | - | 525,000 | 600,000 |
| Pension related debt (LGERS) | 25,056 | 16,741 | 50,872 | 87,892 | 75,928 | 104,633 |
| Compensated absences | 5,613 | 5,043 | 29,466 | 26,475 | 35,079 | 31,518 |
| Total | \$ 555,669 | \$ 738,584 | \$ 3,007,887 | \$ 3,266,501 | \$ 3,563,556 | \$ 4,005,085 |

The Town of Yanceyville's total debt decreased by \$441,499 (11%) during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the unit of government's boundaries. The legal debt margin for the Town of Yanceyville is \$7,172,236.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Decreasing Unemployment. Caswell County, in which the Town of Yanceyville is located, has an unemployment rate of 4.5%, which is slightly lower than the state average of 6.1%. (N.C. Commerce, Access NC 2017 data)
- High percentage of high school graduates 76.1% which is extremely higher than the state average of 25% by the age of 25. (N.C. Commerce, Access NC 2017 data)
- Increasing median household income projections of \$40,501. (N.C. Commerce, Access NC 2017 data)
- The General Fund also allowed funding to extend the WIFI service to other areas in the downtown area.
- No tax increase or water/sewer rate increase for the 2017-2018 budget year.
- The Town will allocate 3% of all water revenues to the repayment of the USDA loan that has allowed the Town to pursue an emergency water line connection with the City of Danville, Va. The Town anticipates the revenues collected from the 3% of water revenues to allow the Town to pay off the debt taken on by the project much sooner.
- There will be no proposed use of un-appropriated fund balance to balance the budget this year. The Town has made strong efforts to increase the un-appropriated fund balance of the Town, and has done so over the past seven budget cycles.
- The Town does intend to continue working with third-party contractors for Water and Wastewater Management and Operations, Code Enforcement needs, legal needs, engineering needs, and extensive water/sewer repair needs.
- Some of the major items in this year's budget are outlined below:
 - Completion of the re-codification of the Town Code
 - Maintenance Contracts for water and sewer equipment maintenance/repair
 - Chemicals for water and sewer plant
 - Dredging of lagoons at both the Water and Wastewater Plants
 - Zoning Code Enforcement services
 - Wi-Fi Network Expansion
 - Town Hall Updates and Maintenance
 - Hiring of a new part time Public Works employee
 - Dan River Water Intake Project
 - Continued repair/replacement of aging water/sewer infrastructure
 - Capital Improvements
 - Police Department Start-up Fund

Grant Projects:

In 2016-2017 the Town was awarded \$2 million in CDBG grant money from the NC Division of Water Infrastructure to improve and enhance the operations of our wastewater treatment facility. This grant project is still in progress.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2019

Governmental Activities. Total revenues budgeted for the year ending June 30, 2019 is \$2,477,760. The tax rate remained at \$0.33 per \$100 assessed value. Any increases in revenues shall be used to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to increase by approximately 12.7%. Operating Expenditures are expected to increase by 3.25%.

Business-type activities. The Water and Sewer rates in the Town are budgeted to show no increase for water and sewer rates this budget year. The Enterprise Fund expects to have about the same expenditures as last year. Each department has made an effort to reduce their operating expenses in order to maintain a relatively conservative budget however we are recommending a 3% salary increase for all employees.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Yanceyville's finances for all those with an interest in the Town's finances and its accountability for the monies it receives. Any questions concerning any of the information provided in this report or to request additional financial information should be addressed to the Town of Yanceyville, Finance Department, P.O. Box 727, Yanceyville, NC 27379 or by viewing our website at www.yanceyvillenc.gov.

FINANCIAL SECTION

Exhibit 1

Town of Yanceyville, North Carolina
Statement of Net Position
June 30, 2018

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,386,869 | \$ 1,790,167 | \$ 3,177,036 |
| Taxes receivables (net) | 23,037 | - | 23,037 |
| Accrued interest receivable on taxes | 11,877 | - | 11,877 |
| Accounts receivable (net) | 104,043 | 437,926 | 541,969 |
| Bond discount | - | 15,907 | 15,907 |
| Restricted cash and cash equivalents | 252,002 | 2,121 | 254,123 |
| Total current assets | <u>1,777,828</u> | <u>2,246,121</u> | <u>4,023,949</u> |
| Non-current assets: | | | |
| Capital assets (Note 1): | | | |
| Land, improvements, and construction in progress | 614,931 | 284,308 | 899,239 |
| Other capital assets, net of depreciation | 2,393,582 | 8,937,839 | 11,331,421 |
| Total capital assets | <u>3,008,513</u> | <u>9,222,147</u> | <u>12,230,660</u> |
| Total assets | <u>4,786,341</u> | <u>11,468,268</u> | <u>16,254,609</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | <u>19,864</u> | <u>40,329</u> | <u>60,193</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 14,256 | \$ 51,894 | \$ 66,150 |
| Accrued interest payable | - | 98,625 | 98,625 |
| Customer deposits | - | 2,121 | - |
| Current portion of long-term liabilities | 77,807 | 244,016 | 321,823 |
| Total current liabilities | <u>92,063</u> | <u>396,656</u> | <u>486,598</u> |
| Long-term liabilities: | | | |
| Due in more than one year | <u>477,862</u> | <u>2,763,871</u> | <u>3,241,733</u> |
| Total long-term liabilities | <u>477,862</u> | <u>2,763,871</u> | <u>3,241,733</u> |
| Total liabilities | <u>569,925</u> | <u>3,160,527</u> | <u>3,728,331</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | <u>2,167</u> | <u>4,401</u> | <u>6,568</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,483,513 | 6,294,598 | 8,778,111 |
| Restricted for: | | | |
| Stabilization by State Statute | 108,043 | - | 108,043 |
| Transportation | 252,002 | - | 252,002 |
| Cemetery care | 1,309 | - | 1,309 |
| Pursuant to loan requirements | 12,537 | 130,911 | 143,448 |
| Unrestricted | 1,376,709 | 1,918,160 | 3,294,869 |
| Total net position | <u>\$ 4,234,113</u> | <u>\$ 8,343,669</u> | <u>\$ 12,577,782</u> |

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

**Town of Yanceyville
Statement of Activities
For the Year Ended June 30, 2017**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governemental Activities | Business-Type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 318,771 | \$ 43,094 | \$ - | \$ 212,850 | \$ (62,827) | \$ - | \$ (62,827) |
| Public safety | 199,641 | 615 | 8,753 | 139,561 | (50,712) | - | (50,712) |
| Transportation | 39,044 | - | 40,821 | - | 1,777 | - | 1,777 |
| Economic and Physical Development | 2,823 | - | - | - | (2,823) | - | (2,823) |
| Cultural and Recreation | 19,662 | - | - | - | (19,662) | - | (19,662) |
| Public works | 99,239 | 26,312 | 1,402 | - | (71,525) | - | (71,525) |
| Interest on long-term debt | 5,738 | - | - | - | (5,738) | - | (5,738) |
| Total governmental activities (See Note 1) | 684,918 | 70,021 | 50,976 | 352,411 | (211,510) | - | (211,510) |
| Business-type activities: | | | | | | | |
| Water and sewer | 1,584,273 | 1,659,034 | - | 47,000 | - | 121,761 | 121,761 |
| Total business-type activities | 1,584,273 | 1,659,034 | - | 47,000 | - | 121,761 | 121,761 |
| Total primary government | \$ 2,269,191 | \$ 1,729,055 | \$ 50,976 | \$ 399,411 | (211,510) | 121,761 | (89,749) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purpose | | | | | 327,391 | - | 327,391 |
| Local option sales tax | | | | | 183,965 | - | 183,965 |
| Other taxes | | | | | 132,745 | - | 132,745 |
| Grants and contributions not restricted to specific programs | | | | | - | - | - |
| Unrestricted investment earnings | | | | | 857 | 272 | 1,129 |
| Miscellaneous | | | | | - | 32,484 | 32,484 |
| Total general revenues not including transfers | | | | | 644,958 | 32,756 | 677,714 |
| Transfers | | | | | - | - | - |
| Total general revenues and transfers | | | | | 644,958 | 32,756 | 677,714 |
| Change in net position | | | | | 433,448 | 154,517 | 587,965 |
| Net position, beginning, previously reported | | | | | 3,708,238 | 8,161,167 | 11,869,405 |
| Restatement | | | | | 92,427 | 27,985 | 120,412 |
| Net position, beginning, restated | | | | | 3,800,665 | 8,189,152 | 11,989,817 |
| Net position, ending | | | | | \$ 4,234,113 | \$ 8,343,669 | \$ 12,577,782 |

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

Exhibit 3

**Town of Yanceyville
Balance Sheet
Governmental Funds
June 30, 2017**

| | <u>Major Funds</u> | | <u>Total</u> |
|--|---------------------|----------------------------------|-------------------------------|
| | <u>General</u> | <u>Total Non-Major Funds</u> | <u>Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,381,560 | \$ 5,309 | \$ 1,386,869 |
| Restricted cash - Powell Bill | 252,002 | - | 252,002 |
| Receivables, net: | | | |
| Taxes | 23,037 | - | 23,037 |
| Accounts | 104,043 | - | 104,043 |
| Due from other funds | 4,000 | - | 4,000 |
| Total assets | <u>\$ 1,764,642</u> | <u>\$ 5,309</u> | <u>\$ 1,769,951</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 14,256 | \$ - | \$ 14,256 |
| Due to other funds | - | 4,000 | 4,000 |
| Total liabilities | <u>14,256</u> | <u>4,000</u> | <u>18,256</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | <u>23,037</u> | <u>-</u> | <u>23,037</u> |
| FUND BALANCES | | | |
| Restricted | | | |
| Stabilization by State Statute | 108,043 | - | 108,043 |
| Powell Bill | 252,002 | - | 252,002 |
| Fire Truck Debt Payments | 12,537 | - | 12,537 |
| Assigned | | | |
| Cemetery Care | - | 1,309 | 1,309 |
| Unassigned | <u>1,354,767</u> | <u>-</u> | <u>1,354,767</u> |
| Total fund balances | <u>1,727,349</u> | <u>1,309</u> | <u>1,728,658</u> |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 1,764,642</u> | <u>\$ 5,309</u> | |

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

Exhibit 3

**Town of Yanceyville
Balance Sheet
Governmental Funds
June 30, 2018**

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

| | | |
|--|--|--------------|
| Total Fund Balance, Governmental Funds | | \$ 1,728,658 |
|--|--|--------------|

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

| | | |
|---|--------------------|-----------|
| Gross capital assets at historical cost | \$ 4,477,364 | |
| Accumulated depreciation | <u>(1,468,851)</u> | 3,008,513 |

| | | |
|--|--|--------|
| Deferred outflows of resources related to pensions are not reported in the funds | | 19,864 |
|--|--|--------|

| | | |
|---|--|--------|
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. | | 11,877 |
|---|--|--------|

| | | |
|---|--|--------|
| Earned revenues considered deferred inflows of resources in fund statements | | 23,037 |
|---|--|--------|

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds

| | | |
|---|--------------|-----------|
| Installment financing | \$ (525,000) | |
| Compensated absences | (5,613) | |
| Net pension liability | (25,056) | |
| Deferred inflows of resources related to pensions are not reported in the funds | (2,167) | |
| Accrued interest | <u>-</u> | (557,836) |

| | | |
|---|--|----------------------------|
| Net position of governmental activities | | <u><u>\$ 4,234,113</u></u> |
|---|--|----------------------------|

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

Exhibit 4

Town of Yanceyville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2018

| | Major Funds | Non-Major Funds | Total Governmental Funds |
|---|---------------------|-----------------|--------------------------------|
| | General Fund | Special Revenue | |
| REVENUES | | | |
| Ad valorem taxes | \$ 331,399 | \$ - | \$ 331,399 |
| Other taxes and licenses | 183,965 | - | 183,965 |
| Unrestricted intergovernmental | 132,745 | - | 132,745 |
| Restricted intergovernmental | 131,181 | 4,298 | 135,479 |
| Sales and services | 151,262 | - | 151,262 |
| Permits and fees | 615 | - | 615 |
| Investment earnings | 857 | - | 857 |
| Miscellaneous | - | - | - |
| Total revenues | <u>932,024</u> | <u>4,298</u> | <u>936,322</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 289,912 | - | 289,912 |
| Public safety | 118,412 | - | 118,412 |
| Transportation | 39,044 | - | 39,044 |
| Economic and physical development | - | 2,823 | 2,823 |
| Cultural and recreation | 14,268 | - | 14,268 |
| Public works | 99,239 | - | 99,239 |
| Debt service: | | | |
| Principal | 99,373 | - | 99,373 |
| Interest and other charges | 4,805 | - | 4,805 |
| Capital outlay | 11,766 | - | 11,766 |
| Total expenditures | <u>676,819</u> | <u>2,823</u> | <u>679,642</u> |
| Excess of revenues over expenditures | <u>255,205</u> | <u>1,475</u> | <u>256,680</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | - | - | - |
| Installment purchase obligations issued | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 255,205 | 1,475 | 256,680 |
| Fund balances, beginning | <u>1,472,144</u> | <u>(166)</u> | <u>1,471,978</u> |
| Fund balances, ending | <u>\$ 1,727,349</u> | <u>\$ 1,309</u> | <u>\$ 1,728,658</u> |

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

(continued)

Exhibit 4

Town of Yanceyville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

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

| | | |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 256,680 |
|---|----|---------|

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current period.

| | | |
|--|------------------|--------|
| Capital outlay expenditures which were capitalized | \$ 202,116 | |
| Depreciation expense for governmental assets | <u>(126,334)</u> | 75,782 |

| | | |
|---|--|-----------|
| Adjustment for capital assets not reported on fund statements | | (190,350) |
|---|--|-----------|

| | | |
|---|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. | | 12,173 |
|---|--|--------|

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 | | (6,942) |
| Amount of donated assets | | 190,350 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|--------------------------------------|--------------|---------|
| Principal payments on long-term debt | \$ 99,373 | |
| New long-term debt issued | \$ - | |
| Decrease in accrued interest payable | <u>5,417</u> | 104,790 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|--|---------|
| Compensated absences | | (570) |
| Pension expense | | (8,465) |

| | | |
|--|-----------|----------------|
| Total changes in net position of governmental activities | <u>\$</u> | <u>433,448</u> |
|--|-----------|----------------|

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

Exhibit 5

Town of Yanceyville
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

| | General Fund | | | |
|---|----------------|----------------|---------------------|---|
| | Budget | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 339,200 | \$ 339,200 | \$ 331,399 | \$ (7,801) |
| Other taxes and licenses | 128,000 | 128,000 | 183,965 | 55,965 |
| Unrestricted intergovernmental | 126,500 | 126,500 | 132,745 | 6,245 |
| Restricted intergovernmental | 84,000 | 84,000 | 131,181 | 47,181 |
| Permits and fees | 500 | 500 | 615 | 115 |
| Sales and services | 88,700 | 145,288 | 151,262 | 5,974 |
| Investment earnings | 650 | 650 | 857 | 207 |
| Miscellaneous | 300 | 300 | - | (300) |
| Total revenues | <u>767,850</u> | <u>824,438</u> | <u>932,024</u> | <u>107,586</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 337,450 | 337,450 | 289,912 | 47,538 |
| Transportation | 61,400 | 61,400 | 39,044 | 22,356 |
| Public works | 106,000 | 106,000 | 99,239 | 6,761 |
| Public safety | 156,500 | 200,538 | 130,178 | 70,360 |
| Cultural and recreation | 31,500 | 31,500 | 14,268 | 17,232 |
| Debt service: | | | | |
| Principal retirement | 75,000 | 82,745 | 99,373 | (16,628) |
| Interest and other charges | - | 4,805 | 4,805 | - |
| Total expenditures | <u>767,850</u> | <u>824,438</u> | <u>676,819</u> | <u>147,619</u> |
| Revenues and other sources over (under) expenditures | <u>-</u> | <u>-</u> | <u>255,205</u> | <u>255,205</u> |
| Other financing sources | | | | |
| Transfer to special revenue fund | - | - | - | - |
| Fund balance, appropriated | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>255,205</u> | <u>\$ 255,205</u> |
| Fund balance, beginning | | | <u>1,472,144</u> | |
| Fund balance, ending | | | <u>\$ 1,727,349</u> | |

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

Exhibit 6

Town of Yanceyville
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

| | Enterprise Fund Water and Sewer Fund | Total |
|---|--|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,790,167 | \$ 1,790,167 |
| Accounts receivable (net) - billed | 437,926 | 437,926 |
| Bond discount | 15,907 | 15,907 |
| Restricted cash and cash equivalents | 2,121 | 2,121 |
| Total current assets | 2,246,121 | 2,246,121 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and other non-depreciable assets | 284,308 | 284,308 |
| Other capital assets, net of depreciation | 8,937,839 | 8,937,839 |
| Capital assets | 9,222,147 | 9,222,147 |
| Total noncurrent assets | 9,222,147 | 9,222,147 |
| Total assets | \$ 11,468,268 | \$ 11,468,268 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 40,329 | \$ 40,329 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 51,894 | \$ 51,894 |
| Accrued interest payable | 98,625 | 98,625 |
| Compensated absences | 14,733 | 14,733 |
| Customer deposits | 2,121 | 2,121 |
| Drinking water revolving loan | 90,000 | 90,000 |
| Revenue bonds payable | 139,283 | 139,283 |
| Total current liabilities | 396,656 | 396,656 |
| Noncurrent liabilities: | | |
| Compensated absences | 14,733 | 14,733 |
| Net pension liability | 50,872 | 50,872 |
| Drinking water revolving loan | 90,000 | 90,000 |
| Revenue bonds payable | 2,608,266 | 2,608,266 |
| Total noncurrent liabilities | 2,763,871 | 2,763,871 |
| Total liabilities | \$ 3,160,527 | \$ 3,160,527 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 4,401 | \$ 4,401 |
| NET POSITION | | |
| Net investment in capital assets | \$ 6,294,598 | \$ 6,294,598 |
| Water Line Debt Payment Reserve | 27,960 | 27,960 |
| Water Line Short-Lived Asset Reserve | 102,951 | 102,951 |
| Unrestricted | 1,918,160 | 1,918,160 |
| Total net position | \$ 8,343,669 | \$ 8,343,669 |

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

Exhibit 7

Town of Yanceyville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

| | Enterprise Fund Water and Sewer Fund | Total |
|---|--|--------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 1,644,421 | \$ 1,644,421 |
| Late fees | 10,806 | 10,806 |
| Tappage fees | 3,807 | 3,807 |
| Other operating revenues | 32,484 | 32,484 |
| Total operating revenues | 1,691,518 | 1,691,518 |
| OPERATING EXPENSES | | |
| Maintenance | 276,000 | 276,000 |
| Collection and distribution | 240,598 | 240,598 |
| Utilities | 119,617 | 119,617 |
| Salaries and benefits | 313,900 | 313,900 |
| Other water and sewer expenses | 220,702 | 220,702 |
| Depreciation | 313,607 | 313,607 |
| Total operating expenses | 1,484,424 | 1,484,424 |
| Operating income | 207,094 | 207,094 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 272 | 272 |
| Interest expense | (98,625) | (98,625) |
| Amortization of bond discount | (1,224) | (1,224) |
| Total nonoperating revenues (expenses) | (99,577) | (99,577) |
| Income before contributions | 107,517 | 107,517 |
| Capital contributions | 47,000 | 47,000 |
| Change in net position | 154,517 | 154,517 |
| Total net position, previously reported | 8,161,167 | 8,161,167 |
| Beginning net position, restated | 8,189,152 | 8,189,152 |
| Total net position, ending | \$ 8,343,669 | \$ 8,343,669 |

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

Exhibit 7

Town of Yanceyville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

| | Enterprise Fund Water and Sewer Fund | Total |
|---|--|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 1,664,731 | \$ 1,664,731 |
| Cash paid for goods and services | (807,758) | (807,758) |
| Cash paid to or on behalf of employees for services | (322,409) | (322,409) |
| Customer deposits returned | (400) | (400) |
| Net cash provided by operating activities | 534,164 | 534,164 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (119,000) | (119,000) |
| Principal paid on bond maturities | (134,585) | (134,585) |
| Principal paid on loan | (90,000) | (90,000) |
| Interest and fees paid on debt maturities | (105,750) | (105,750) |
| Capital contributions-federal grant | 47,000 | 47,000 |
| Net cash used by capital and related financing activities | (402,335) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 272 | 272 |
| Net increase in cash and cash equivalents | 132,101 | 132,101 |
| Balances, beginning | 1,660,187 | 1,660,187 |
| Balances, ending | \$ 1,792,288 | \$ 1,792,288 |

(continued)

Exhibit 7

Town of Yanceyville
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

| | Enterprise Fund Water and Sewer Fund | Total |
|---|--|------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 207,094 | \$ 207,094 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 314,831 | 314,831 |
| Changes in assets, deferred outflows of resources and liabilities: | | |
| (Increase) in accounts receivable | (26,786) | (26,786) |
| (Decrease) in deferred inflows of resources for pension | 44,665 | 44,665 |
| Increase in accounts payable and accrued liabilities | 30,804 | 30,804 |
| Increase in accrued vacation pay | 2,991 | 2,991 |
| (Decrease) in customer deposits | (400) | (400) |
| Increase in net pension liability | (37,020) | (37,020) |
| (Decrease) in deferred outflows of resources for pensions | (2,015) | (2,015) |
| Total adjustments | 327,070 | 327,070 |
| Net cash provided by operating activities | \$ 534,164 | \$ 534,164 |

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Yanceyville 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 Yanceyville is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

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 particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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.

I. Summary of Significant Accounting Policies: (continued)

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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

Cemetery Fund. This fund is used to account for perpetual care of the Town's cemetery.

The Town reports the following major enterprise fund:

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

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 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. Nonexchange 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 donation 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.

I. Summary of Significant Accounting Policies: (continued)

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

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

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 operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

I. Summary of Significant Accounting Policies: (continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Yanceyville because the tax is levied by Caswell 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 are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. 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 body and the Council budget must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities 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 and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

I. Summary of Significant Accounting Policies: (continued)

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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 it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Yanceyville Restricted Cash

Governmental Activities

General Fund

| | |
|-------------------------------|-------------------|
| Streets | \$ 252,002 |
| Total governmental activities | <u>\$ 252,002</u> |

Business-type Activities

Water and Sewer

| | |
|--------------------------------|-----------------|
| Customer Deposits | <u>2,121</u> |
| Total Business-type Activities | <u>\$ 2,121</u> |

| | |
|-----------------------|-------------------|
| Total Restricted Cash | <u>\$ 254,123</u> |
|-----------------------|-------------------|

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

I. Summary of Significant Accounting Policies: (continued)

5. Allowances for Doubtful Accounts

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

6. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$20,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$20,000; infrastructure, \$20,000; vehicle and equipment, \$5,000; computer software, \$5,000 and computer equipment, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--|-----------------------------------|
| Buildings | 50 |
| Infrastructure | 50 |
| Equipment | 10 |
| Computer Equipment | 3 |
| Computer Software | 5 |
| Vehicles and Equipment | 5 |
| Substations, lines and related equipment | 40 |
| Other Improvements | 25 |

I. Summary of Significant Accounting Policies: (continued)

8. Deferred Outflows /Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *Deferred Inflows of Resources*, represents acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

I. Summary of Significant Accounting Policies: (continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

Reserved for stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

I. Summary of Significant Accounting Policies: (continued)

The Town of Yanceyville 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, and local non-town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Yanceyville has also adopted minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported to FRSWPF. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

II. 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 Town'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 agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$3,418,742 and a bank balance of \$3,496,916. 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, 2018, the Town's petty cash fund totaled \$600.

2. Investments

At June 30, 2018, the Town's investment balances were as follows:

| Investment Type | Valuation Method | Book value at 6/30/18 | Maturity | Rating |
|--|-------------------------|------------------------------|-----------------|---------------|
| NC Capital Management Trust Government Portfolio | Amortized Cost | \$11,817 | N/A | AAAm |

II. Detail Notes on All Funds: (continued)

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town does not have a formal investment policy.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2018.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

| <u>Fund</u> | <u>6/30/18</u> |
|-----------------------|------------------|
| General Fund: | |
| Taxes receivable | \$ 1,595 |
| Enterprise Fund: | |
| Water and sewer fund | |
| – accounts receivable | <u>46,153</u> |
| Total | <u>\$ 47,748</u> |

II. Detail Notes on All Funds: (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-------------------|-------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in Progress | \$ - | \$ - | \$ - | \$ - |
| Art collection | - | 190,350 | - | 190,350 |
| Land | <u>424,581</u> | <u>-</u> | <u>-</u> | <u>424,581</u> |
| Total capital assets not being depreciated | <u>\$ 424,581</u> | <u>\$ 190,350</u> | <u>\$ -</u> | <u>\$ 614,931</u> |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 1,667,192 | \$ - | \$ - | \$ 1,667,192 |
| Infrastructure | 535,847 | - | - | 535,847 |
| Equipment | 751,365 | 11,766 | - | 763,131 |
| Vehicles | <u>896,263</u> | <u>-</u> | <u>-</u> | <u>896,263</u> |
| Total capital assets being depreciated | <u>\$ 3,850,667</u> | <u>\$ 11,766</u> | <u>\$ -</u> | <u>\$ 3,862,433</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 240,326 | \$ 33,417 | \$ - | \$ 273,743 |
| Infrastructure | 39,314 | 10,717 | - | 50,031 |
| Equipment | 424,973 | 43,871 | - | 468,844 |
| Vehicles | <u>637,904</u> | <u>38,329</u> | <u>-</u> | <u>676,233</u> |
| Total accumulated depreciation | <u>\$ 1,342,517</u> | <u>\$ 126,334</u> | <u>\$ -</u> | <u>\$ 1,468,851</u> |
| Total capital assets being depreciated, net | <u>\$ 2,508,150</u> | | | <u>\$ 2,393,582</u> |
| Governmental activity capital assets, net | <u>\$ 2,932,731</u> | | | <u>\$ 3,008,513</u> |

II. Detail Notes on All Funds: (continued)

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

| | |
|----------------------------|-------------------|
| General government | \$ 39,711 |
| Public safety | 81,229 |
| Transportation | - |
| Cultural and recreation | <u>5,394</u> |
| Total depreciation expense | <u>\$ 126,334</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-------------------|-------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in Progress | \$ 145,901 | \$ 119,000 | \$ - | \$ 264,901 |
| Land | <u>19,407</u> | <u>-</u> | <u>-</u> | <u>19,407</u> |
| Total capital assets not being depreciated | <u>\$ 165,308</u> | <u>\$ 119,000</u> | <u>\$ -</u> | <u>\$ 284,308</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 627,039 | - | - | 627,039 |
| Plant and distribution system | 13,700,853 | - | - | 13,700,853 |
| Equipment and vehicles | 671,994 | - | - | 671,994 |
| Improvements | <u>218,446</u> | <u>-</u> | <u>-</u> | <u>218,446</u> |
| Total capital assets being depreciated | <u>\$ 15,218,332</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,218,332</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 230,649 | \$ 12,540 | \$ - | \$ 243,189 |
| Plant and distribution system | 5,108,153 | 269,561 | - | 5,377,714 |
| Equipment and vehicles | 557,267 | 27,066 | - | 584,333 |
| Improvements | <u>70,817</u> | <u>4,440</u> | <u>-</u> | <u>75,257</u> |
| Total accumulated depreciation | <u>\$ 5,966,886</u> | <u>\$ 313,607</u> | <u>\$ -</u> | <u>\$ 6,280,493</u> |
| Total capital assets being depreciated, net | <u>\$ 9,251,446</u> | | | <u>\$ 8,937,839</u> |
| Business-type activity capital assets, net | <u>\$ 9,416,754</u> | | | <u>\$ 9,222,147</u> |

II. Detail Notes on All Funds: (continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Yanceyville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of thirteen 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 the 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, 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.

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 Yanceyville 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 Yanceyville's contractually required contribution rate for the year ended June 30, 2018, was 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Yanceyville were \$22,145 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$75,928 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00497%, which was a decrease of 0.00004% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$25,652. At June 30, 2018, 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 | \$ 4,374 | \$ 2,149 |
| Changes of assumptions | 10,844 | - |
| Net difference between projected and actual earnings on pension plan investments | 18,435 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 4,395 | 4,419 |
| Town contributions subsequent to the measurement date | 22,145 | - |
| Total | \$ 60,193 | \$ 6,568 |

\$60,193 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|----------|
| 2019 | \$ 4,092 |
| 2020 | 23,246 |
| 2021 | 10,364 |
| 2022 | (6,223) |
| 2023 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10, including inflation and productivity factor |
| Investment rate of return | 7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 227,937 | \$ 75,928 | \$ (50,952) |

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.

b. Law Enforcement Officers Special Separation Allowance

As of July 1, 2009, the police department was disbanded and consolidated with the Caswell County Sheriff's department. Therefore, the town is no longer obligated to fund the law enforcement officer's special separation allowance.

II. Detail Notes on All Funds: (continued)

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

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

| | LGERS | Total |
|--|-----------|-----------|
| Pension Expense | \$ 25,652 | \$ 25,652 |
| Pension Liability | 75,928 | 75,928 |
| Proportionate share of the net pension liability | 0.00497% | |
| Deferred of Outflows of Resources | | |
| Differences between expected and actual experience | 4,374 | 4,374 |
| Changes of assumptions | 10,844 | 10,844 |
| Net difference between projected and actual earnings on plan investments | 18,435 | 18,435 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,395 | 4,395 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 22,145 | 22,145 |
| Deferred of Inflows of Resources | | |
| Differences between expected and actual experience | 2,149 | 2,149 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on plan investments | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,419 | 4,419 |

c. Supplemental Retirement Income Plan

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. 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 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. 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. General employees may contribute to the Supplemental Retirement Income plan. The contributions made by general employees for the year ended June 30, 2018 were \$420.

d. Firefighter's and Rescue Squad Worker's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Yanceyville, to the Firefighter's and Rescue Squad Worker's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Worker's Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The Town of Yanceyville's proportionate share of the State's contribution is \$8,753.

Refunds of Contributions – Plan members who are no longer eligible to choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$40,003. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$8,753 and revenue of \$8,753 for support provided by the State. At June 30, 2018, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | Not applicable |
| Investment rate of return | 7.20 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

2. Other Employment Benefit

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

employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2018, the Town made contributions to the State for death benefits of \$148. The Town's required contributions for employees not engaged in law enforcement represented 0.05% of covered payroll.

3. Deferred Outflows and Inflows of Resources

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

| <u>Sources</u> | <u>Amount</u> |
|--|------------------|
| Differences between expected and actual experience | \$ 4,374 |
| Changes in assumptions | 10,844 |
| Net difference between projected and actual earnings on plan investments | 18,435 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,395 |
| Benefit payments and administrative cost paid subsequent to measurement date | <u>22,145</u> |
| Total | <u>\$ 60,193</u> |

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

| | Statement of Net Position | General Fund Balance Sheet |
|--|------------------------------|-------------------------------|
| Taxes receivable, less penalties (General Fund) | - | 23,037 |
| Differences between expected and actual Experience | 2,149 | - |
| Changes in proportion and differences Between contributions and proportionate Share of contributions | <u>4,419</u> | <u>-</u> |
| | <u>\$ 6,658</u> | <u>\$ 23,037</u> |

4. Risk Management

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

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

The Town’s property coverage through the North Carolina League of Municipalities includes insurance against losses from floods.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any give time of the Town’s funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$104,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgments, and Contingent Liabilities

According to the Town’s attorney, there are no suits pending against the Town that would materially affect the financial statements.

6. Long-Term Obligations

a. Installment Purchase Agreements & Other Financing Agreements

Serviced by General Fund:

In February 2011, the Town entered into a \$168,500 installment purchase agreement with an interest rate of 4.125 percent to finance a 2011 Fire Truck for the Yanceyville Fire Department. The financing contract requires an annual payment of \$12,537 for twenty years, with the first payment being due June 2011. This agreement was paid in full at June 30, 2018.

In September 2015, the Town entered into a \$750,000 financing agreement. The proceeds from the financing agreement were used to pay the construction loan. The agreement requires ten annual principal payments only of \$75,000 beginning June 2016.

II. Detail Notes on All Funds: (continued)

Serviced by the Water and Sewer Fund:

In April 2000, the Town entered into a \$1,800,000 drinking water revolving loan agreement to finance the construction of water and sewer system facilities with an interest rate of 2.60 percent. The financing contract requires twenty annual principal payments of \$90,000 beginning May 2001. Semi-annual interest payments are required each May and November.

Annual debt service payments of these installment purchase agreements as of June 30, 2018, are as follows:

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|------------------------|-------------------------|----------|--------------------------|----------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 75,000 | \$ - | \$ 90,000 | \$ 4,680 |
| 2020 | 75,000 | - | 90,000 | 2,340 |
| 2021 | 75,000 | - | - | - |
| 2022 | 75,000 | - | - | - |
| 2023 | 75,000 | - | - | - |
| Thereafter | 150,000 | - | - | - |
| | | | - | - |
| | | | - | - |
| | \$ 525,000 | \$ - | \$ 180,000 | \$ 7,020 |

b. Revenue Bonds

Revenue bonds payable at June 30, 2018 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

\$2,706,673 Water and Sewer Revenue Bonds
issued for refinancing of the USDA bonds.

Principal installments are due annually on
June 1 with annual interest payments due
at an annual interest rate of 3.62%

\$ 2,238,134

On June 18, 2013 the town refinanced these bonds with BB&T to lower the interest rate to 3.62%. This resulted in a bond discount of \$ 22,206 that will be amortized over the life of the bonds. The refinancing resulted in a savings of \$1,004,944 in interest.

\$673,000 Water and Sewer Revenue Bond
issued for refinancing of BB&T Bond
Anticipation Note. Principal installments
are due annually on June 1 with annual
interest payments due at annual interest
rate of 2.75%

\$ 644,000

\$ 2,882,134

II. Detail Notes on All Funds: (continued)

The Town's revenue bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. The principal and interest on the bonds are payable from the revenues of the Water and Sewer System. The taxing power of the Town is not pledged for the payment of the principal or interest on the revenue bonds. Principal and interest requirements are appropriated when due.

The future payments of the revenue bonds for the years ending June 30, 2018 are as follows:

| Year Ending June 30 | Business Type Activities | |
|------------------------|-----------------------------|------------|
| | Principal | Interest |
| 2019 | \$ 139,283 | \$ 93,945 |
| 2020 | 144,108 | 89,000 |
| 2021 | 147,934 | 83,878 |
| 2022 | 151,987 | 78,619 |
| 2023 | 157,265 | 73,212 |
| Thereafter | 2,006,972 | 554,832 |
| | <hr/> | <hr/> |
| | \$ 2,747,549 | \$ 973,486 |

The Town is in compliance with the covenants as to rates, fees, rentals, charges and debt service coverage ratio. The Town has pledged water and sewer customer revenues, net of specified expenses, to pay the water and sewer fee revenue bonds. The bonds are payable solely from water and sewer fee customer net revenues. Related principal and interest paid for the current year are \$23,315 or 45% of available net revenues of \$521,548.

| | |
|--|-------------|
| Operating revenues | \$1,691,518 |
| Operating expenses* | 1,170,817 |
| Operating income | 520,701 |
| Nonoperating revenues (expenses)** | 847 |
| Income available for debt service | 521,548 |
| Debt service, principal and interest paid (Revenue bond only) | 233,315 |
| Debt service coverage ratio | 224% |

*Per rate covenants, this does not include the depreciation expense of \$313,607

**Per rate covenants, this does not include revenue bond interest paid of \$98,730

At June 30, 2018, the Town of Yanceyville had a legal debt margin of \$7,172,236.

II. Detail Notes on All Funds: (continued)

c. Changes in Long-Term Liabilities

| | Balance | | | Balance | Current Portion |
|--|--------------|-----------|-----------|---------------|-----------------|
| Governmental activities: | July 1, 2017 | Increases | Decreases | June 30, 2018 | of Balance |
| Installment purchases | 116,800 | - | 116,800 | - | - |
| Other financing agreements | 600,000 | - | 75,000 | 525,000 | 75,000 |
| Compensated absences | 5,043 | 2,125 | 1,555 | 5,613 | 2,807 |
| Net pension liability (LGERS) | 16,741 | 8,315 | - | 25,056 | - |
| | | | | | |
| Governmental activity long-term liabilities | 738,584 | 10,440 | 193,355 | 555,669 | 77,807 |
| | | | | | |
| Business-type activities: | | | | | |
| Compensated absences | 26,475 | 11,157 | 8,166 | 29,466 | 14,733 |
| Revenue bonds | 2,882,134 | - | 134,585 | 2,747,549 | 139,283 |
| Net pension liability (LGERS) | 87,892 | - | 37,020 | 50,872 | - |
| Installment Purchases | 270,000 | - | 90,000 | 180,000 | 90,000 |
| Business-type activity long-term liabilities | 3,266,501 | 11,157 | 269,771 | 3,007,887 | 244,016 |

C. Interfund Balances and Activity

There were no internal funds at June 30, 2018.

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure payment for fringe benefits and salaries of \$8,753 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year-ended June 30, 2018. Under state law, the local board of trustees for the fund receives a amount each year. which the board may use at its own discretion for eligible firemen or their departments.

II. Detail Notes on All Funds: (continued)

F. Net Investment in Capital Assets

| | Governmental | Business-type |
|---------------------------------|---------------------|---------------------|
| Capital Assets | \$ 3,008,513 | \$ 9,222,147 |
| Less: Long-term Debt | <u>525,000</u> | <u>2,927,549</u> |
| Net Investment in Capital Asset | <u>\$ 2,483,513</u> | <u>\$ 6,294,598</u> |

G. 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 | \$ 1,727,349 |
| Less: | |
| Stabilization by State Stature | 108,043 |
| Streets – Powell Bill | 252,002 |
| Fire Truck Debt Payments | 12,537 |
| Public Safety | - |
| Remaining Fund Balance | \$ 1,354,767 |

The Town of Yanceyville has adopted a minimum fund policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balances is at least equal to or greater than 10% of budgeted expenditures.

IV. Jointly Governed Organizations

The Town, in conjunction with seven counties and thirty-eight other municipalities established the Piedmont Triad Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2018.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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.

VI. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2018 and November 28, 2017 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

II. Detail Notes on All Funds: (continued)

VII. Restatements

Prior Period Adjustment

During the fiscal year ended June 30, 2018, the Town determined that the balance on the installment purchase loan in the General Fund was overstated as of June 30, 2017. Therefore, an adjustment to beginning net position to decrease the loan balance in the General Fund has been recorded. The effect is an increase of \$92,427 to beginning net position in the Governmental Activities in the government-wide statements.

Also, during the fiscal year ended June 30, 2018, the Town determined that accounts payable was overstated in the Water and Sewer Fund as of June 30, 2017. Therefore, an adjustment to beginning net position to decrease accounts payable in the Water and Sewer Fund has been recorded. The effect is an increase of \$27,985 to beginning net position in the Water and Sewer Fund. The effect on beginning net position for the business-type activities is an increase of \$27,985 in the government-wide statements.

Town of Yanceyville, North Carolina
Town of Yanceyville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *

Local Government Employees' Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Yanceyville's proportion of the net pension liability (asset) (%) | 0.0050% | 0.0049% | 0.0044% | 0.0029% | 0.0039% |
| Yanceyville's proportion of the net pension liability (asset) (\$) | \$75,928 | \$104,633 | \$19,837 | (\$17,221) | \$47,010 |
| Yanceyville's covered-employee payroll | \$295,271 | \$271,495 | \$237,964 | \$232,354 | \$215,927 |
| Yanceyville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 25.71% | 38.54% | 8.34% | -7.41% | 21.77% |
| Plan fiduciary net position as a percentage of the total pension liability** | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

**Town of Yanceyville, North Carolina
Town of Yanceyville's Contributions
Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 22,145 | \$ 19,683 | \$ 15,872 | \$ 16,427 | \$ 15,266 |
| Contributions in relation to the contractually required contribution | <u>22,145</u> | <u>19,683</u> | <u>15,872</u> | <u>16,427</u> | <u>15,266</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Yanceyville's covered-employee payroll | \$295,271 | \$271,495 | \$237,964 | \$232,354 | \$ 215,927 |
| Contributions as a percentage of covered-employee payroll | 7.50% | 7.25% | 6.67% | 7.07% | 7.07% |

Town of Yanceyville, North Carolina
Town of Yanceyville's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Four Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|
| Yanceyville's proportionate share of the net pension liability (%) | 0.00% | 0.00% | 0.00% | 0.00% |
| Yanceyville's proportionate share of the net pension liability (\$) | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with City of Yanceyville | <u>8,753</u> | <u>9,466</u> | <u>2,294</u> | <u>8,298</u> |
| Total | \$ 8,753 | \$ 9,466 | \$ 2,294 | \$ 8,298 |
| Yanceyville's covered-employee payroll | N/A | N/A | N/A | N/A |
| Yanceyville's proportionate share of the net pension liability as a percentage of its covered-employee payroll | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 89.35% | 84.94% | 91.40% | 93.42% |

* The amounts presented for the prior fiscal year.

Town of Yanceyville, North Carolina
General Fund
Balance Sheets
June 30, 2018

| | June 30, 2018 |
|--|------------------|
| | |
| ASSETS | |
| Cash and cash equivalents | \$ 1,381,560 |
| Receivables (net): | |
| Taxes | 23,037 |
| Accounts | 104,043 |
| Restricted cash | 252,002 |
| Due from cemetery fund | 4,000 |
| | \$ 1,764,642 |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES: | |
| Accounts payable and accrued liabilities | \$ 14,256 |
| Deferred revenue | 23,037 |
| | 37,293 |
| FUND BALANCES: | |
| Restricted: | |
| Reserved by State Statute | 108,043 |
| Reserved for Powell bill | 252,002 |
| Reserved for Fire Truck Debt Payments | 12,537 |
| Unassigned | 1,354,767 |
| | 1,727,349 |
| Total fund balances | 1,727,349 |
| Total liabilities and fund balances | \$ 1,764,642 |

Town of Yanceyville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|-------------------|----------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | | \$ 306,761 | |
| Prior year | | 7,426 | |
| Motor vehicles | | 13,711 | |
| Penalties and interest | | 3,501 | |
| Total | <u>\$ 339,200</u> | <u>331,399</u> | <u>\$ (7,801)</u> |
| Other taxes and licenses: | | | |
| Local option sales tax | | 183,965 | |
| Total | <u>128,000</u> | <u>183,965</u> | <u>55,965</u> |
| Unrestricted intergovernmental: | | | |
| Beverage tax | | 8,883 | |
| Utility franchise tax | | 123,862 | |
| Total | <u>126,500</u> | <u>132,745</u> | <u>6,245</u> |
| Permits and fees: | | | |
| Zoning fees | | 615 | |
| Total | <u>500</u> | <u>615</u> | <u>115</u> |
| Sales and services: | | | |
| Facility rental | | 20,150 | |
| Solid waste fee | | 26,312 | |
| Yanceyville Fire Dept. | | 104,800 | |
| Total | <u>145,288</u> | <u>151,262</u> | <u>5,974</u> |
| Restricted intergovernmental | | | |
| Powell Bill allocation | | 40,821 | |
| Solid waste disposal tax | | 1,402 | |
| Dan River Foundation grant | | 15,800 | |
| Reimbursed cost | | 22,944 | |
| On-behalf of payments - Fire | | 8,753 | |
| Piedmont Electric grant - Wifi | | 10,000 | |
| Donation - Veterans Memorial | | 12,500 | |
| NC Fire Fighter grant | | 18,961 | |
| Total | <u>84,000</u> | <u>131,181</u> | <u>47,181</u> |

(continued)

Town of Yanceyville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2018

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------|----------------|--|
| Investment earnings | 650 | 857 | 207 |
| Other: | | | |
| Miscellaneous | 300 | - | (300) |
| Total Revenues | 824,438 | 932,024 | 107,586 |
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries & employee benefits | | 25,190 | |
| Total governing body | 25,200 | 25,190 | 10 |
| Administration: | | | |
| Salaries & employee benefits | | 121,230 | |
| Operating expenditures | | 82,782 | |
| Professional services | | 41,798 | |
| Capital outlay | | 18,912 | |
| Total administration | 312,250 | 264,722 | 47,528 |
| Total general government | 337,450 | 289,912 | 47,538 |

(continued)

Town of Yanceyville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------|----------------|----------------|---|
| Public safety: | | | |
| Fire department: | | | |
| Operating expenditures | | 57,706 | |
| Capital outlay | | 72,472 | |
| Total public safety | <u>200,538</u> | <u>130,178</u> | <u>70,360</u> |
| Transportation: | | | |
| Powell Bill expenditures | | 18,661 | |
| Operating expenditures | | - | |
| Capital outlay | | 20,383 | |
| Total transportation | <u>61,400</u> | <u>39,044</u> | <u>22,356</u> |
| Public works: | | | |
| Street lighting | | 33,210 | |
| Refuse collection | | 60,500 | |
| Operating expenditures | | 5,529 | |
| Total public works | <u>106,000</u> | <u>99,239</u> | <u>6,761</u> |
| Cultural & recreation: | | | |
| Operating expenditures | | 14,268 | |
| Total cultural & recreation | <u>31,500</u> | <u>14,268</u> | <u>17,232</u> |

(continued)

Town of Yanceyville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------------|--------------------------------|---|
| Debt service: | | | |
| Principal - capital lease | 82,745 | 99,373 | |
| Interest - capital lease | <u>4,805</u> | <u>4,805</u> | |
| Total debt service | <u>87,550</u> | <u>104,178</u> | <u>(16,628)</u> |
| Total expenditures | <u>824,438</u> | <u>676,819</u> | <u>147,619</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>255,205</u> | <u>255,205</u> |
| Other financing sources (uses): | | | |
| Transfer to other fund: | | | |
| Deeds Grant Fund | - | - | - |
| CDBG-08-C-1929 Grant Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures and other uses | <u>-</u> | <u>255,205</u> | <u>255,205</u> |
| Fund balance appropriated | <u>-</u> | | |
| Net change in fund balance | <u><u>\$ -</u></u> | | |
| Fund balance, beginning | | <u>1,472,144</u> | |
| Fund balance, ending | | <u><u>\$ 1,727,349</u></u> | |

Town of Yanceyville, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Cemetary Fund
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Danville Regional Foundation Grant | \$ 4,000 | \$ 2,580 | \$ 3,098 | \$ 5,678 | \$ 1,678 |
| Lot sales | 1,000 | 300 | 1,200 | 1,500 | 500 |
| Total revenue | 5,000 | 2,880 | 4,298 | 7,178 | 2,178 |
| Expenditures: | | | | | |
| Economic & physical development: | | | | | |
| Maintenance | 5,000 | 3,046 | 2,823 | 5,869 | (869) |
| Operating expenditure | - | - | - | - | - |
| Total expenditures | 5,000 | 3,046 | 2,823 | 5,869 | (869) |
| Revenues over expenditures | - | (166) | 1,475 | 1,309 | 1,309 |
| Revenues and other sources over (under) expenditures and other uses | \$ - | \$ (166) | 1,475 | \$ 1,309 | \$ 1,309 |
| Fund balance, beginning | | | (166) | | |
| Fund balance, ending | | | \$ 1,309 | | |

Town of Yanceyville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------|---------------------|------------------|---|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for water sales | | \$ 948,200 | |
| Charges for sewer services | | 679,107 | |
| Reconnect charges | | 5,445 | |
| Lift station fees | | 11,669 | |
| Late fees water and sewer | | 10,806 | |
| Tappage fees | | 3,807 | |
| USDA grant | | - | |
| Miscellaneous | | 32,484 | |
| Total operating revenues | <u>\$ 1,608,810</u> | <u>1,691,518</u> | <u>\$ 82,708</u> |
| Nonoperating revenues: | | | |
| Investment earnings | | 272 | |
| Total nonoperating revenues | <u>\$ -</u> | <u>272</u> | <u>\$ 272</u> |
| Total revenues | <u>1,608,810</u> | <u>1,691,790</u> | <u>82,980</u> |

(continued)

Town of Yanceyville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|------------------------------------|------------------|------------------|---|
| Expenditures: | | | |
| Water and sewer operations: | | | |
| Maintenance | | 276,000 | |
| Salries & employee benefits | | 305,279 | |
| Collection & distribution | | 240,598 | |
| Utilities | | 119,617 | |
| Other departmental expenses | | 220,702 | |
| Total water and sewer operations | <u>1,120,600</u> | <u>1,162,196</u> | <u>(41,596)</u> |
| Debt service: | | | |
| Principal retirement | 222,000 | 224,585 | |
| Interest paid | 100,000 | 105,750 | |
| Total debt service | <u>322,000</u> | <u>330,335</u> | <u>(8,335)</u> |
| Captial outlay | <u>103,210</u> | <u>42,000</u> | <u>61,210</u> |
| Total expenditures | <u>1,545,810</u> | <u>1,534,531</u> | <u>11,279</u> |
| Revenues over (under) expenditures | <u>63,000</u> | <u>157,259</u> | <u>94,259</u> |
| Fund equity appropriated | <u>-</u> | | |
| | <u>\$ 63,000</u> | | |

(continued)

Town of Yanceyville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|---------------|-------------------|---|
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Revenues and other sources over expenditures and other uses | | 157,259 | |
| Reconciling items: | | | |
| Principal retirement | | 224,585 | |
| Capital outlay | | 42,000 | |
| Depreciation | | (313,607) | |
| Contributed capital | | 47,000 | |
| Bond discount amortization | | (1,224) | |
| Decrease in accrued interest payable | | 7,125 | |
| Increase in accrued vacation | | (2,991) | |
| Decrease in deferred outflows of resources - pension | | (44,665) | |
| Decrease in net pension liability | | 37,020 | |
| Decrease in deferred inflows of resources - pension | | 2,015 | |
| Total reconciling items | | <u>(2,742)</u> | |
| Change in net position | | <u>\$ 154,517</u> | |

OTHER SCHEDULES

This section includes additional information on property taxes and transfers.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Schedule of Net Position by Function
- Water and Sewer Fund's Schedule of Revenues, Expenses and Changes in Fund Net Position by Function
- Water and Sewer Fund's Schedule of Cash Flows by Function

Town of Yanceyville, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Water and Sewer Capital Projects - WWTP Rehabilitation Fund
From Inception and for the Fiscal Year Ended June 30, 2018

| | Project Author- ization | Prior Years | Actual Current Year | Total to Date | Variance Positive (Negative) |
|--|-------------------------------|--------------------|---------------------------|---------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grant | \$ 81,900 | \$ - | \$ 47,000 | \$ 47,000 | \$ (34,900) |
| Expenditures: | | | | | |
| Economic and physical development: | | | | | |
| Engineering fees | 81,900 | 81,900 | 12,000 | 93,900 | (12,000) |
| Grant administration fees | - | - | 65,000 | 65,000 | (65,000) |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| Total expenditures | <u>81,900</u> | <u>81,900</u> | <u>77,000</u> | <u>158,900</u> | <u>(77,000)</u> |
| Revenues over expenditures | <u>-</u> | <u>(81,900)</u> | <u>(30,000)</u> | <u>(111,900)</u> | <u>(111,900)</u> |
| Other financing sources (uses): | | | | | |
| | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ (81,900)</u> | <u>(30,000)</u> | <u>\$ (111,900)</u> | <u>\$ (111,900)</u> |
| Fund balance, beginning | | | <u>(81,900)</u> | | |
| Fund balance, ending | | | <u>\$ (111,900)</u> | | |

Town of Yanceyville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

| Fiscal Year | Uncollected Balance June 30, 2017 | Additions | Collections and Credits | Uncollected Balance June 30, 2018 |
|---|---|-------------------|----------------------------|---|
| 2017-2018 | \$ - | \$ 324,936 | \$ 320,472 | \$ 4,464 |
| 2016-2017 | 4,600 | - | 1,582 | 3,018 |
| 2015-2016 | 3,806 | - | 1,213 | 2,593 |
| 2014-2015 | 3,145 | - | 575 | 2,570 |
| 2013-2014 | 3,695 | - | 845 | 2,850 |
| 2012-2013 | 2,630 | - | 693 | 1,937 |
| 2011-2012 | 2,195 | - | 429 | 1,766 |
| 2010-2011 | 2,486 | - | 494 | 1,992 |
| 2009-2010 | 1,877 | - | 277 | 1,600 |
| 2008-2009 | 2,020 | - | 179 | 1,841 |
| 2007-2008 | 2,186 | - | 2,186 | - |
| | <u>\$ 28,640</u> | <u>\$ 324,936</u> | <u>\$ 328,945</u> | <u>24,631</u> |
| Less: allowance for uncollectable accounts: | | | | |
| General Fund | | | | 1,595 |
| Ad valorem taxes receivable - net | | | | \$ 23,036 |
| Reconciliation to revenues: | | | | |
| Ad valorem taxes - General Fund | | | | \$ 331,399 |
| Reconciling items: | | | | |
| Penalties and interest collected | | | | (3,501) |
| Taxes written off | | | | 1,047 |
| Subtotal | | | | (2,454) |
| Total collections and credits | | | | \$ 328,945 |

Town of Yanceyville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2018

| | Town - Wide | | Total Levy | | |
|------------------------------------|-----------------------------|------|--------------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 98,340,303 | 0.33 | \$ 324,523 | \$ 310,812 | \$ 13,711 |
| Penalties | - | | - | - | - |
| Total | <u>98,340,303</u> | | <u>324,523</u> | <u>310,812</u> | <u>13,711</u> |
| Discoveries: | | | | | |
| Current year taxes | 125,152 | 0.33 | 413 | 413 | - |
| Prior year taxes | - | | - | - | - |
| Penalties | - | | - | - | - |
| Total | <u>125,152</u> | | <u>413</u> | <u>413</u> | <u>-</u> |
| Abatements | <u>-</u> | | <u>-</u> | <u>-</u> | <u>-</u> |
| Total property valuation | <u><u>\$ 98,465,455</u></u> | | | | |
| Net levy | | | 324,936 | 311,225 | 13,711 |
| Uncollected taxes at June 30, 2018 | | | <u>4,464</u> | <u>4,464</u> | <u>-</u> |
| Current year's taxes collected | | | <u><u>\$ 320,472</u></u> | <u><u>\$ 306,761</u></u> | <u><u>\$ 13,711</u></u> |
| Current levy collection percentage | | | <u><u>98.63%</u></u> | <u><u>98.57%</u></u> | <u><u>100.00%</u></u> |

Town of Yanceyville, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2018

| | Water | Sewer | Total |
|--|---------------------|---------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,074,100 | \$ 716,067 | \$ 1,790,167 |
| Accounts receivable (net) - billed | 262,756 | 175,170 | 437,926 |
| Bond discount | 9,544 | 6,363 | 15,907 |
| Inventories | - | - | - |
| Restricted cash and cash equivalents | 1,273 | 848 | 2,121 |
| Total current assets | <u>1,347,673</u> | <u>898,448</u> | <u>2,246,121</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land and other non-depreciable assets | 170,585 | 113,723 | 284,308 |
| Other capital assets, net of depreciation | 5,362,703 | 3,575,136 | 8,937,839 |
| Capital assets | <u>5,533,288</u> | <u>3,688,859</u> | <u>9,222,147</u> |
| Total noncurrent assets | <u>5,533,288</u> | <u>3,688,859</u> | <u>9,222,147</u> |
| Total assets | <u>\$ 6,880,961</u> | <u>\$ 4,587,307</u> | <u>\$ 11,468,268</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Contributions to pension plan in fiscal year | <u>\$ 24,197</u> | <u>\$ 16,132</u> | <u>\$ 40,329</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ 31,136 | \$ 20,758 | \$ 51,894 |
| Accrued interest payable | 59,175 | 39,450 | 98,625 |
| Compensated absences | 8,840 | 5,893 | 14,733 |
| Customer deposits | 1,273 | 848 | 2,121 |
| Drinking water revolving loan | 54,000 | 36,000 | 90,000 |
| Revenue bond payable | 83,570 | 55,713 | 139,283 |
| Total current liabilities | <u>237,994</u> | <u>158,662</u> | <u>396,656</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 8,840 | 5,893 | 14,733 |
| Pension liability | 30,523 | 20,349 | 50,872 |
| Drinking water revolving loan | 54,000 | 36,000 | 90,000 |
| Revenue bonds payable | 1,564,960 | 1,043,306 | 2,608,266 |
| Total noncurrent liabilities | <u>1,658,323</u> | <u>1,105,548</u> | <u>2,763,871</u> |
| Total liabilities | <u>\$ 1,896,317</u> | <u>\$ 1,264,210</u> | <u>\$ 3,160,527</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | <u>\$ 2,641</u> | <u>\$ 1,760</u> | <u>\$ 4,401</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 3,776,759 | \$ 2,517,839 | \$ 6,294,598 |
| Water Line Debt Payment Reserve | 16,776 | 11,184 | 27,960 |
| Water Line Short-Lived Asset Reserve | 61,771 | 41,180 | 102,951 |
| Unrestricted | 1,150,896 | 767,264 | 1,918,160 |
| Total net position | <u>\$ 5,006,202</u> | <u>\$ 3,337,467</u> | <u>\$ 8,343,669</u> |

Town of Yanceyville, North Carolina
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 986,653 | \$ 657,768 | \$ 1,644,421 |
| Late fees | 6,484 | 4,322 | 10,806 |
| Tappage fees | 2,284 | 1,523 | 3,807 |
| USDA grant | - | - | - |
| Miscellaneous | 19,490 | 12,994 | 32,484 |
| Total operating revenues | <u>1,014,911</u> | <u>676,607</u> | <u>1,691,518</u> |
| OPERATING EXPENSES | | | |
| Maintenance | 165,600 | 110,400 | 276,000 |
| Collection and distribution | 144,359 | 96,239 | 240,598 |
| Utilities | 71,770 | 47,847 | 119,617 |
| Salaries and benefits | 188,340 | 125,560 | 313,900 |
| Other water and sewer expenditures | 132,421 | 88,281 | 220,702 |
| Depreciation | 188,164 | 125,443 | 313,607 |
| Total operating expenses | <u>890,654</u> | <u>593,770</u> | <u>1,484,424</u> |
| Operating income | <u>124,257</u> | <u>82,837</u> | <u>207,094</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 163 | 109 | 272 |
| Interest expense | (59,175) | (39,450) | (98,625) |
| Amortization of bond discount | (734) | (490) | (1,224) |
| Total non-operating revenue (expenses) | <u>(59,746)</u> | <u>(39,831)</u> | <u>(99,577)</u> |
| Change in net position before contributions | 64,511 | 43,006 | 107,517 |
| Capital contributions | <u>28,200</u> | <u>18,800</u> | <u>47,000</u> |
| Change in net position | <u>92,711</u> | <u>61,806</u> | <u>154,517</u> |
| Total net position, beginning | 4,896,700 | 3,264,467 | 8,161,167 |
| Restatement | 16,791 | 11,194 | 27,985 |
| Total net position, beginning, restated | <u>4,913,491</u> | <u>3,275,661</u> | <u>8,189,152</u> |
| Total net position, ending | <u>\$ 5,006,202</u> | <u>\$ 3,337,467</u> | <u>\$ 8,343,669</u> |

Town of Yanceyville, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 998,839 | \$ 665,892 | \$ 1,664,731 |
| Cash paid for goods and services | (484,655) | (323,103) | (807,758) |
| Cash paid to or on behalf of employees for services | (193,445) | (128,964) | (322,409) |
| Net change in customer deposits | <u>(240)</u> | <u>(160)</u> | <u>(400)</u> |
| Net cash provided by operating activities | <u>320,499</u> | <u>213,665</u> | <u>534,164</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING | | | |
| Other non-operating revenues | - | - | - |
| Due from other funds | <u>-</u> | <u>-</u> | <u>-</u> |
| | - | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (71,400) | (47,600) | (119,000) |
| Principal paid on bond maturities | (80,751) | (53,834) | (134,585) |
| Principal paid on loan | (54,000) | (36,000) | (90,000) |
| Interest and fees paid on debt maturities | (63,450) | (42,300) | (105,750) |
| Capital contributions-federal grant | <u>28,200</u> | <u>18,800</u> | <u>47,000</u> |
| Net cash used by capital and related financing activities | <u>(241,401)</u> | <u>(160,934)</u> | <u>(402,335)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | <u>163</u> | <u>109</u> | <u>272</u> |
| Net increase in cash and cash equivalents | 79,261 | 52,840 | 132,101 |
| Balances, beginning | <u>996,112</u> | <u>664,075</u> | <u>1,660,187</u> |
| Balances, ending | <u>\$ 1,075,373</u> | <u>\$ 716,915</u> | <u>\$ 1,792,288</u> |

(continued)

Town of Yanceyville, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 124,257 | \$ 82,837 | \$ 207,094 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 188,899 | 125,932 | 314,831 |
| Changes in assets and liabilities: | | | |
| (Increase) in accounts receivable | (16,072) | (10,714) | (26,786) |
| Decrease in deferred outflow of resources for pension | 26,799 | 17,866 | 44,665 |
| Increase in accounts payable and accrued liabilities | 18,482 | 12,322 | 30,804 |
| Increase in accrued vacation pay | 1,795 | 1,196 | 2,991 |
| (Decrease) in customer deposits | (240) | (160) | (400) |
| (Decrease) in pension liability | (22,212) | (14,808) | (37,020) |
| (Decrease) in deferred inflow of resources for pension | (1,209) | (806) | (2,015) |
| Total adjustments | <u>196,242</u> | <u>130,828</u> | <u>327,070</u> |
| Net cash provided by operating activities | <u>\$ 320,499</u> | <u>\$ 213,665</u> | <u>\$ 534,164</u> |



**STOUT
STUART
MCGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

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

Independent Auditor's Report

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

*Member of PCPS,
the AICPA Alliance
For CPA Firms*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Yanceyville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Town of Yanceyville's basic financial statements and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (18-1).

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Yanceyville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 18-1.

Town of Yanceyville's Response to Findings

The Town of Yanceyville's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STOUT STUART MCGOWEN & KINGS LLP

November 28, 2018

TOWN OF YANCEYVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

| | | |
|--|-----------------------|----------------------|
| Material weakness(es) identified? | <u> x </u> Yes | <u> </u> No |
| Significant Deficiency(s) identified that are not considered to be material weaknesses | <u> </u> Yes | <u> x </u> No |
| Noncompliance material to financial statements noted | <u> </u> Yes | <u> X </u> No |

Section II. Financial Statement Findings

18-1 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 due to the small staff.

Effect: Transactions could be mishandled.

Cause: There is a lack of segregation of duties.

Recommendation: Management and the Town Council should be continually aware of the limitation. To compensate, the Town Council members should review expenditures, revenues, bank balances and other financial matters on a regular basis.

Management Response: Management agrees with finding.

TOWN OF YANCEYVILLE, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2018

Section II- Financial Statement Findings

Corrective Actions Plan/Finding 18-1:

Name of Contact Person: Ryan Strader, Finance Officer

Correction Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved.

Proposed Completion Date: The Board will implement the above procedure immediately.

TOWN OF YANCEYVILLE, NORTH CAROLINA
Summary of Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Section II- Financial Statement Findings

Finding:17-1

Status: The Town continues to try to keep duties separate amount personnel as much as possible. Alternative controls are being implemented to compensate for lack of segregation.

TOWN OF YANCEYVILLE, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2018

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal (Direct and Pass Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|-------------------------------|
| Federal Awards: | | | |
| Cash Programs: | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Water and Waste Disposal Systems | | | |
| For Rural Communities - | 10.760 | \$ 4,298 | |
| State Awards: | | | |
| <u>N.C. Department of Transportation:</u> | | | |
| Powell Bill | | | 18,661 |
| <u>N.C. Department of Insurance:</u> | | | |
| State Fire Protection Grant | | | 18,961 |
| | | <u>\$ 4,298</u> | <u>\$ 37,622</u> |
| Total assistance | | | |

Notes to the Schedule of Expenditures Federal and State Financial Awards:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Yanceyville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Government Auditing Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Town of Yanceyville:
 GASB 34 CALCULATION OF MAJOR FUNDS
 June 30, 2018

Note: Revenue includes operating and nonoperating but not other financing sources. Amounts should be taken from the fund statements instead of the government-wide.

| Type of Fund | Assets | Computes "X" if Meets | | Liabilities | Computes "X" if Meets | | Revenue | Computes "X" if Meets | | Expenditures/ Expenses | Computes "X" if Meets | | Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both Columns, Then Fund is a Major Fund |
|---|-------------------|-----------------------|---------|------------------|-----------------------|---------|------------------|-----------------------|---------|---------------------------|-----------------------|---------|---|
| | | 10% Rule | 5% Rule | | 10% Rule | 5% Rule | | 10% Rule | 5% Rule | | 10% Rule | 5% Rule | |
| General Fund | 1,764,642 | N/A | N/A | 38,404 | N/A | N/A | 932,024 | N/A | N/A | 676,819 | N/A | N/A | YES, ALWAYS MAJOR |
| Special Revenue Funds: | | | | | | | | | | | | | |
| CDBG #8 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deeds Grant | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cemetery Fund | 5,309 | - | - | 4,000 | - | - | 4,298 | - | - | 2,823 | - | - | - |
| Total Special Revenue | 5,309 | | | 4,000 | | | - | | | 2,823 | | | |
| Debt Service Fund | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital Projects Funds: | | | | | | | | | | | | | |
| Total Capital Projects | - | | | - | | | - | | | - | | | - |
| Total Governmental Funds | <u>1,769,951</u> | | | <u>42,404</u> | | | <u>932,024</u> | | | <u>679,642</u> | | | |
| 10 % of Total Governmental Funds | <u>176,995</u> | | | <u>4,240</u> | | | <u>93,202</u> | | | <u>67,964</u> | | | |
| Enterprise Funds: | | | | | | | | | | | | | |
| Water and Sewer | 11,468,268 | X | X | 3,160,527 | X | X | 1,691,518 | X | X | 1,584,001 | X | X | MAJOR |
| Storm Water | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Enterprise Fund 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Enterprise Funds | <u>11,468,268</u> | | | <u>3,160,527</u> | | | <u>1,691,518</u> | | | <u>1,584,001</u> | | | |
| 10% of Total Enterprise Funds | <u>1,146,827</u> | | | <u>316,053</u> | | | <u>169,152</u> | | | <u>158,400</u> | | | |
| Total Governmental & Enterprise Funds | <u>13,238,219</u> | | | <u>3,202,931</u> | | | <u>2,623,542</u> | | | <u>2,263,643</u> | | | |
| 5% of Total Governmental & Enterprise Funds | <u>661,911</u> | | | <u>160,147</u> | | | <u>131,177</u> | | | <u>113,182</u> | | | |