

# Town of Siler City, North Carolina

---

**Financial Statements**

**Year Ended June 30, 2018**



**This Page Left Blank Intentionally**

# **Town of Siler City, North Carolina**

## ***List of Principal Officials***

### **Governing Board**

John Grimes, Mayor  
Larry Cheek, Mayor Pro Tem  
Michael Constantino  
Tony Siler  
Bill Haiges  
Cindy Bray  
Thomas K. Price, III  
Lewis Fadely

### **Town Officials**

Bryan Thompson, Town Manager  
Roy Lynch, Finance Officer

**This Page Left Blank Intentionally**

## Table of Contents

### Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4

### ***Basic Financial Statements***

#### Exhibit

<b>Government-Wide Financial Statements:</b>	
1	Statement of Net Position ..... 15
2	Statement of Activities..... 17
<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Funds..... 18
	Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position..... 19
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds..... 20
	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 21
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund ..... 22
6	Statement of Net Position - Proprietary Funds ..... 23
7	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds ..... 24
8	Statement of Cash Flows - Proprietary Funds..... 25
	Notes to Financial Statements ..... 27

### ***Required Supplementary Information***

Law Enforcement Officers' Special Separation Allowance:	
Schedule of Changes in Total Pension Liability.....	57
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	57
Other Postemployment Benefits:	
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	58
Local Government Employees' Retirement System:	
Proportionate Share of Net Pension Liability (Asset) .....	59
Schedule of Contributions.....	59

**Town of Siler City, North Carolina**

---

***Supplementary and Other Information***

<i>The General Fund:</i>	
Comparative Balance Sheets .....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	64
<i>Capital Projects Fund (Aquatic Facility):</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	69
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet .....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) .....	72
Capital Reserve Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	74
Capital Projects Fund (NCDOT Safe Routes to School):	
Schedule of Revenues, Expenditures and Changes in Fund Deficit - Budget and Actual .....	75
Capital Projects Fund (ALP Update):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	76
Capital Projects Fund (Obstruction Removal):	
Schedule of Revenues, Expenditures and Changes in Fund Deficit - Budget and Actual .....	77
Capital Projects Fund (Greenway Construction):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	78
Capital Projects Fund (Parks Master Plan):	
Schedule of Revenues, Expenditures and Changes in Fund Deficit - Budget and Actual .....	79
Capital Projects Fund (Library Remodel):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	80
Capital Projects Fund (LDP Update):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	81
Capital Projects Fund (Airport Runway):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	82
Capital Projects Fund (Airport Precision API):	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual.....	83

**Town of Siler City, North Carolina**

---

Capital Projects Fund (Airfield Lighting):  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual..... 84

Capital Projects Fund (Land Acquisition - White Property):  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual..... 85

*Enterprise Funds:*

Water and Sewer Fund:  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)..... 86

Water and Sewer Capital Reserve Fund:  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)..... 89

Capital Project Fund (Wastewater Collection System Improvements):  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual..... 90

Capital Project Fund (CAM Water System Extension):  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual..... 91

Capital Project Fund (Wastewater Treatment Plant Improvements):  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual..... 92

License Plate Agency:  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)..... 93

***Supplemental Financial Data***

Schedule of Ad Valorem Taxes Receivable..... 97

Analysis of Current Tax Levy..... 98

**Compliance Section**

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***..... 101

**Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act** ..... 103

Schedule of Findings and Questioned Costs ..... 105

Corrective Action Plan ..... 108

Summary Schedule of Prior Audit Findings..... 109

Schedule of Expenditures of Federal and State Awards..... 110

Notes to Schedule Expenditures of Federal and State Awards ..... 112

**This Page Left Blank Intentionally**



## **Financial Section**

**This Page Left Blank Intentionally**



## **Independent Auditors' Report**

To the Honorable Mayor and  
Town Commissioners  
Siler City, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Siler City, North Carolina ("Town") 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.

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 7 to the financial statements, during 2018 the Town of Siler City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to this matter.

***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 4 through 11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 57, the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 58, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of the Town'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 the Town's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
June 7, 2019**

## **Management's Discussion and Analysis**

As management of the Town of Siler City (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

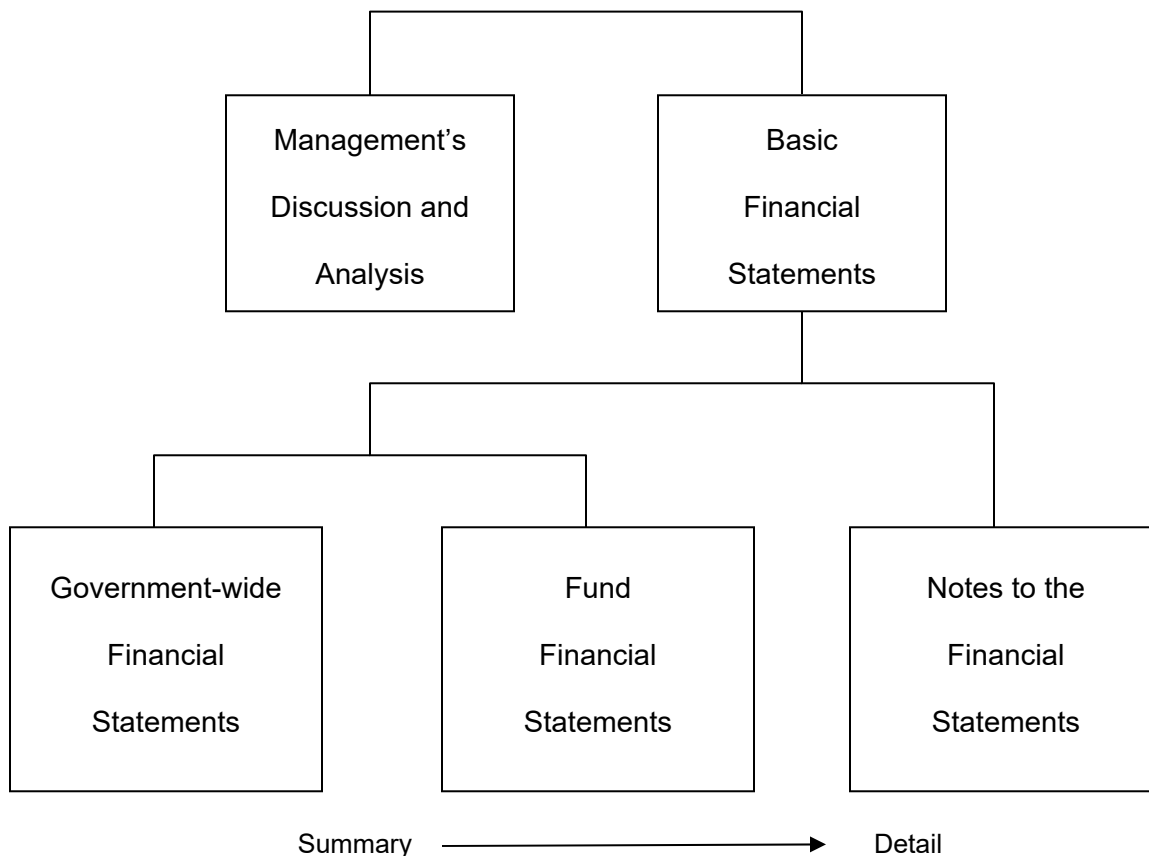
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,171,026 (*net position*).
- The government's total net position increased by \$2,297,595 which was the overall outcome as a result of the governmental activities' change in net position of \$1,395,616 plus the business-type activities' change in net position of \$901,979. Unrestricted intergovernmental revenues continue to grow with an increase of \$139,103 over the prior year. Property tax revenue reflected an increase of \$70,471. In the proprietary funds, charges for services exceeded total expenditures by \$889,965.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,874,855, an increase of \$237,369 in comparison with the prior year. Approximately 70.3 percent of the total fund balance, or \$3,425,547, is available for spending at the government's discretion (*unassigned fund balance*).
- The unassigned fund balance for the General Fund, \$3,425,547 represents 60.2 percent of total general fund expenditures for the fiscal year.
- The Town's total long-term liabilities decreased by \$1,153,504 during the current fiscal year.

### **Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**



***Basic Financial Statements***

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

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

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

## **Town of Siler City, North Carolina Management's Discussion and Analysis**

---

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

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

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

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities and (3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal revenues finance most of these activities. The business-type activities are those that the Town charges customers a fee to provide. These include the water and sewer and license plate agency services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Siler City ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

### ***Fund Financial Statements***

The fund financial statements (Exhibit 3 through Exhibit 8) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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



**Town of Siler City, North Carolina  
Management's Discussion and Analysis**

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 54 of this report.

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

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

***Government-Wide Financial Analysis***

**Town of Siler City's Net Position  
Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 5,854,405	\$ 4,863,846	\$ 4,229,296	\$ 3,440,567	\$ 10,083,701	\$ 8,304,413
Capital assets	11,041,614	10,293,449	25,059,359	25,495,889	36,100,973	35,789,338
Deferred outflows of resources	434,222	606,572	198,817	279,325	633,039	885,897
Total assets and deferred outflows of resources	17,330,241	15,763,867	29,487,472	29,215,781	46,817,713	44,979,648
Long-term liabilities outstanding	2,776,003	1,987,263	10,531,023	10,751,151	13,307,026	12,314,088
Other liabilities	508,604	442,840	723,783	939,996	1,232,387	1,807,162
Deferred inflows of resources	80,068	41,790	27,206	13,858	107,274	55,648
Total liabilities and deferred inflows of resources	3,364,675	2,471,893	11,282,012	11,705,005	14,646,687	14,176,898
Net position:						
Net investment in capital assets	10,605,696	9,816,119	15,150,866	14,760,756	25,756,562	24,576,875
Restricted	1,525,718	1,525,826	-	-	1,525,718	1,525,826
Unrestricted	1,834,152	1,950,029	3,054,594	2,750,020	4,888,746	4,700,049
Total net position, previously reported		13,291,974		17,510,776		30,802,750
Cumulative effect adjustment		(722,024)		(207,295)		(929,319)
Total net position, ending	\$ 13,965,566	\$ 12,569,950	\$ 18,205,460	\$ 17,308,481	\$ 32,171,026	\$ 29,873,431

**Town of Siler City, North Carolina  
Management's Discussion and Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$32,171,026 as of June 30, 2018. The Town's net position increased by \$2,297,595 for the fiscal year ended June 30, 2018. The largest portion (80.1%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,525,718, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,888,746 is unrestricted.

Several particular aspects of the Town's financial operations affected the total unrestricted governmental net position:

Ongoing debt service obligations in both major funds of the Town negatively affect the total unrestricted government net position. However, several particular aspects of the Town's financial operations positively affected the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes for the year ending June 30, 2018.
- Conservative spending practices while providing the same level of service.

**Town of Siler City's Changes in Net Position  
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 808,021	\$ 781,152	\$ 5,387,720	\$ 5,358,191	\$ 6,195,741	\$ 6,139,343
Operating grants and contributions	638,622	617,102	-	-	638,622	617,102
Capital grants and contributions	578,337	417,893	346,656	-	924,993	417,893
General revenues:						
Property taxes	2,167,416	2,096,945	-	-	2,167,416	2,096,945
Other taxes	1,513	49,017	-	-	1,513	49,017
Unrestricted						
Intergovernmental	2,847,612	2,708,509	-	-	2,847,612	2,708,509
Other	133,812	187,671	12,014	6,669	145,826	194,340
Total revenues	<u>7,175,333</u>	<u>6,858,289</u>	<u>5,746,390</u>	<u>5,364,860</u>	<u>12,921,723</u>	<u>12,223,149</u>
Expenses:						
General government	1,349,279	801,844	-	-	1,349,279	801,844
Public safety	2,309,858	2,647,906	-	-	2,309,858	2,647,906
Transportation	902,759	1,013,095	-	-	902,759	1,013,095
Environmental protection	488,679	629,845	-	-	488,679	629,845
Economic development	236,101	177,700	-	-	236,101	177,700
Cultural and recreational	472,553	487,562	-	-	472,553	487,562
Interest on long-term debt	20,488	12,319	-	-	20,488	12,319
Water and sewer	-	-	4,715,808	4,552,607	4,715,808	4,552,607
License plate agency	-	-	128,603	124,109	128,603	124,109
Total expenses	<u>5,779,717</u>	<u>5,770,271</u>	<u>4,844,411</u>	<u>4,676,716</u>	<u>10,624,128</u>	<u>10,446,987</u>

**Town of Siler City, North Carolina  
Management's Discussion and Analysis**

**Town of Siler City's Changes in Net Position  
Figure 3 (Continued)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Increase in net position before transfers	\$ 1,395,656	\$ 1,088,018	\$ 901,979	\$ 688,144	\$ 2,297,595	\$ 1,776,162
Transfers	-	-	-	-	-	-
Increase in net position	<b>1,395,656</b>	1,088,018	<b>901,979</b>	688,144	<b>2,297,595</b>	1,776,162
Net position, beginning, previously reported	<b>13,291,974</b>	12,203,956	<b>17,510,776</b>	16,822,632	<b>30,802,750</b>	29,026,588
Cumulative effect adjustment	<b>(722,024)</b>	-	<b>(207,295)</b>	-	<b>(929,319)</b>	-
Net position, beginning, adjusted	<b>12,569,950</b>	12,203,956	<b>17,303,481</b>	16,822,632	<b>29,873,431</b>	29,026,588
Net position, end of year	<b>\$ 13,965,566</b>	\$ 13,291,974	<b>\$ 18,205,460</b>	\$ 17,510,776	<b>\$ 32,171,026</b>	\$ 30,802,750

**Governmental activities.** Governmental activities increased the Town's net position by \$1,395,656. The business-type activities showed an increase of \$901,979. The increase in governmental activities net position compared to the prior year in both types of Activities was due to managements' decision to contain costs.

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

As noted earlier, the Town 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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,425,547 while total fund balance was \$4,941,270. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69.3% of total General Fund expenditures.

At June 30, 2018, the governmental funds of the Town reported a combined fund balance of \$4,874,855, a 5.1% increase over last year.

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

The Town increased final budgeted revenues from the original budget by \$7,622 and expenditures from the original budget by \$384,875. However, fund balance appropriated was increased to \$576,823 to account for expected transfers by the General Fund for various capital projects.

**Town of Siler City, North Carolina  
Management's Discussion and Analysis**

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the combined Water and Sewer and License Plate Agency Fund at the end of the fiscal year amounted to \$3,054,594. There was a total increase in net position for the combined funds of \$901,979. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town'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 \$36,100,973 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included renovations to the Bray Park Aquatic Facility, continued improvements to Siler City Municipal Airport and other facilities, replacement of fleet vehicles and general equipment upgrades. Other major improvements were enhanced by water and sewer infrastructure additions to meet continued growth needs.

**Town of Siler City's Capital Assets  
Figure 4  
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 779,838	\$ 779,838	\$ 5,158,393	\$ 5,158,393	\$ 5,938,231	\$ 5,938,231
Construction in process	5,434,266	5,181,483	393,576	-	5,827,842	5,181,483
Buildings and systems	1,068,770	993,911	2,055,108	2,241,853	3,123,878	3,235,764
Improvements other than buildings	1,391,926	1,174,281	17,102,469	17,880,284	18,494,395	19,054,565
Machinery and equipment	971,719	728,917	349,813	215,359	1,321,532	944,276
Infrastructure	305,218	340,451	-	-	305,218	340,451
Vehicles and motorized equipment	1,089,877	1,094,568	-	-	1,089,877	1,094,568
<b>Total</b>	<b>\$ 11,041,614</b>	<b>\$ 10,293,449</b>	<b>\$ 25,059,359</b>	<b>\$ 25,495,889</b>	<b>\$ 36,100,973</b>	<b>\$ 35,789,338</b>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

**Long-Term Debt.** As of June 30, 2018, the Town had total outstanding debt, exclusive of compensated absences, pension liabilities and other post-employment benefit liabilities of \$10,344,411. Of this debt, \$9,783,655 is backed by the full faith and credit of the Town. The remainder of the Town's debt represents installment purchase obligations and capital leases secured by property.

**Town of Siler City's Outstanding Debt  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes	\$ -	\$ -	\$ 9,783,655	\$ 10,625,655	\$ 9,783,655	\$ 10,625,655
Capitalized leases	319,206	308,789	124,838	109,478	444,044	418,267
Installment purchases	116,712	168,541	-	-	116,712	168,541
<b>Total</b>	<b>\$ 435,918</b>	<b>\$ 477,330</b>	<b>\$ 9,908,493</b>	<b>\$ 10,735,133</b>	<b>\$ 10,344,411</b>	<b>\$ 11,212,463</b>

## **Town of Siler City, North Carolina Management's Discussion and Analysis**

---

The Town's total debt decreased by \$868,052 (7.7%) during the past fiscal year primarily due to two loan payments for the reservoir expansion project totaling \$842,000. The Town's total debt payments for the year were \$1,128,040.

North Carolina's general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$33,062,287. The Town has no bonds authorized and issued at June 30, 2018.

Additional information regarding the Town's long-term debt can be found in Note 3.B.4 of the Basic Financial Statements.

### ***Economic Factors and Next Year's Budgets and Rates***

The budget for fiscal year 2018/2019 reflects modest growth in an environment of continued economic challenges within the local economy. The budget offers critical analysis to ensure expenditures are maintained as low as practical without compromising continuity and quality of the services provided by the Town and the level of safety by which these services are offered.

### ***Budget Highlights for the Fiscal Year Ending June 30, 2019***

**Government Activities:** Property tax rates remained at \$0.51 per \$100 of valuation with the adoption of the fiscal year 2018/2019 Budget Ordinance. Ad valorem tax revenues are anticipated to account for 32.7 percent of General Fund revenues. Other major revenue streams for the Town's General Fund include local option sales tax and other shared tax revenues. These revenues are projected to bring in \$3,195,620 or 47.4 percent of total General Fund revenues. Budgeting practices by the Mayor and the Town Board have afforded the Town an opportunity to fund its needs while maintaining the current tax rate.

**Business-Type Activities:** The operating revenues in the Enterprise Fund are generated primarily through the Town's sale of water and sewer utilities. Revenues are projected to be \$5,713,384 for the fiscal year 2018/2019 budget. This represents an increase of \$801,860 or 16.3 percent from the previous year due to the increased water and sewer sales to Mountaire, a major processing plant. Water and sewer fees represent 96.3 percent of the revenues in the Enterprise Fund. The rates for water and sewer were maintained in this budget year. Water and sewer usage projections are anticipated to generate the needed revenue within this Fund to reduce reliance on Fund Balance for debt service obligations, capital investments, and operation and maintenance expenses while providing the same level of service.

### ***Requests for Information***

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Bryan Thompson, Town Manager, Town of Siler City, Post Office Box 769, Siler City, North Carolina 27344, 919-742-4731, Email: [bthompson@silercity.org](mailto:bthompson@silercity.org). The Town of Siler City ABC Board issues separate financial statements. Requests for additional information should be directed to Nancy Gooch, Store Manager, Town of Siler City ABC Board, 1404 East 11<sup>th</sup> Street, Siler City, North Carolina 27344.

**This Page Left Blank Intentionally**

## ***Basic Financial Statements***

This Page Left Blank Intentionally



**Town of Siler City, North Carolina**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit 1**  
**(2 pages)**

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,898,705	\$ 2,763,737	\$ 6,662,442	\$ 337,646
Taxes receivable (net)	94,740	-	94,740	-
Accounts receivable	55,941	854,731	910,672	-
Due from other governments	1,215,800	292,727	1,508,527	-
Due from component unit	12,565	-	12,565	-
Internal balances	(639)	639	-	-
Inventories	-	-	-	185,358
Prepaid expenses	-	-	-	1,901
Restricted cash and investments	577,293	317,462	894,755	-
<b>Total current assets</b>	<b>5,854,405</b>	<b>4,229,296</b>	<b>10,083,701</b>	<b>524,905</b>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	6,214,104	5,551,969	11,766,073	201,835
Other capital assets, net of depreciation	4,827,510	19,507,390	24,334,900	141,138
<b>Total capital assets</b>	<b>11,041,614</b>	<b>25,059,359</b>	<b>36,100,973</b>	<b>342,973</b>
<b>Total noncurrent assets</b>	<b>11,041,614</b>	<b>25,059,359</b>	<b>36,100,973</b>	<b>342,973</b>
<b>Total assets</b>	<b>16,896,019</b>	<b>29,288,655</b>	<b>46,184,674</b>	<b>867,878</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	409,711	180,617	590,328	15,846
OPEB deferrals	24,511	18,200	42,711	-
<b>Total deferred outflows of resources</b>	<b>434,222</b>	<b>198,817</b>	<b>633,039</b>	<b>15,846</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	499,330	288,885	788,215	168,406
Accrued interest payable	7,327	117,436	124,763	-
Unearned revenue	1,947	-	1,947	-
Due to primary government	-	-	-	12,565
Payable from restricted assets	-	317,462	317,462	-
Current portion of long-term liabilities	235,738	935,187	1,170,925	12,825
<b>Total current liabilities</b>	<b>744,342</b>	<b>1,658,970</b>	<b>2,403,312</b>	<b>193,796</b>
Noncurrent liabilities:				
Net pension liability	468,854	227,432	696,286	18,638
Total pension liability	712,462	-	712,462	-
Total OPEB liability	991,795	325,179	1,316,974	-
Due in more than one year	367,154	9,043,225	9,410,379	12,176
<b>Total liabilities</b>	<b>3,284,607</b>	<b>11,254,806</b>	<b>14,539,413</b>	<b>224,610</b>

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

**Town of Siler City, North Carolina**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit 1**  
**(2 pages)**

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	\$ 21,721	\$ 8,075	\$ 29,796	\$ 838
OPEB deferrals	58,347	19,131	77,478	-
Total deferred inflows of resources	<u>80,068</u>	<u>27,206</u>	<u>107,274</u>	<u>838</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,605,696	15,150,866	25,756,562	317,971
Restricted for:				
Stabilization by State Statute	948,425	-	948,425	-
Streets - Powell Bill	577,293	-	577,293	-
Other purposes	-	-	-	41,710
Unrestricted	<u>1,834,152</u>	<u>3,054,594</u>	<u>4,888,746</u>	<u>298,595</u>
Total net position	<u>\$ 13,965,566</u>	<u>\$ 18,205,460</u>	<u>\$ 32,171,026</u>	<u>\$ 658,276</u>

**Town of Siler City, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 2**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Town of Siler City ABC Board
Primary government:								
Government activities:								
General government	\$ 1,349,279	\$ 54,779	\$ 645	\$ -	\$ (1,293,855)	\$ -	\$ (1,293,855)	\$ -
Public safety	2,309,858	282,535	411,294	-	(1,616,029)	-	(1,616,029)	-
Transportation	902,759	451	226,228	76,192	(599,888)	-	(599,888)	-
Environmental protection	488,679	426,266	-	-	(62,413)	-	(62,413)	-
Economic and physical development	236,101	-	-	7,471	(228,630)	-	(228,630)	-
Cultural and recreational	472,553	43,990	455	494,674	66,566	-	66,566	-
Interest on long-term debt	20,488	-	-	-	(20,488)	-	(20,488)	-
Total governmental activities	<u>5,779,717</u>	<u>808,021</u>	<u>638,622</u>	<u>578,337</u>	<u>(3,754,737)</u>	<u>-</u>	<u>(3,754,737)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	4,715,808	5,228,779	-	346,656	-	859,627	859,627	-
License plate agency	128,603	158,941	-	-	-	30,338	30,338	-
Total business-type activities	<u>4,844,411</u>	<u>5,387,720</u>	<u>-</u>	<u>346,656</u>	<u>-</u>	<u>889,965</u>	<u>889,965</u>	<u>-</u>
Total primary government	<u>\$ 10,624,128</u>	<u>\$ 6,195,741</u>	<u>\$ 638,622</u>	<u>\$ 924,993</u>	<u>(3,754,737)</u>	<u>889,965</u>	<u>(2,864,772)</u>	<u>-</u>
Component unit								
Town of Siler City ABC Board	<u>\$ 1,352,765</u>	<u>\$ 1,402,682</u>	<u>\$ -</u>	<u>\$ -</u>				<u>49,917</u>
General revenues:								
Taxes								
Property taxes, levied for general purpose					2,167,416	-	2,167,416	-
Other taxes					1,513	-	1,513	-
Unrestricted intergovernmental					2,847,612	-	2,847,612	-
Unrestricted investment earnings					70,328	12,014	82,342	-
Miscellaneous					63,484	-	63,484	-
Total general revenues					<u>5,150,353</u>	<u>12,014</u>	<u>5,162,367</u>	<u>-</u>
Change in net position					<u>1,395,616</u>	<u>901,979</u>	<u>2,297,595</u>	<u>49,917</u>
Net position, beginning, previously reported					13,291,974	17,510,776	30,802,750	608,359
Cumulative effect adjustment					<u>(722,024)</u>	<u>(207,295)</u>	<u>(929,319)</u>	<u>-</u>
Net position, beginning, adjusted					<u>12,569,950</u>	<u>17,303,481</u>	<u>29,873,431</u>	<u>608,359</u>
Net position, end of year					<u>\$ 13,965,566</u>	<u>\$ 18,205,460</u>	<u>\$ 32,171,026</u>	<u>\$ 658,276</u>

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

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Project Fund - Aquatic Facility</u>	<u>Non-Major Governmental Funds</u>	
<b>Assets</b>				
Cash and investments	\$ 3,566,895	\$ 50,012	\$ 281,798	\$ 3,898,705
Restricted cash	577,293	-	-	577,293
Taxes receivable, net	94,740	-	-	94,740
Accounts receivable, net	55,941	-	-	55,941
Due from other governments	820,802	385,980	9,018	1,215,800
Due from component unit	12,565	-	-	12,565
Due from other funds	49,122	-	9,995	59,117
	<u>\$ 5,177,358</u>	<u>\$ 435,992</u>	<u>\$ 300,811</u>	<u>\$ 5,914,161</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 129,300	\$ 365,112	\$ 4,918	\$ 499,330
Unearned revenue	1,156	-	-	1,156
Due to other funds	10,101	-	49,655	59,756
	<u>140,557</u>	<u>365,112</u>	<u>54,573</u>	<u>560,242</u>
<b>Deferred Inflows of Resources</b>				
Taxes receivable	94,740	-	-	94,740
Unavailable revenue	-	376,514	7,019	383,533
Prepaid taxes	791	-	-	791
	<u>95,531</u>	<u>376,514</u>	<u>7,019</u>	<u>479,064</u>
<b>Fund Balances (Deficits)</b>				
Restricted				
Stabilization by State Statute	938,430	-	9,995	948,425
Streets - Powell Bill	577,293	-	-	577,293
Committed				
Capital projects	-	-	155,899	155,899
Assigned				
Economic and physical development	-	-	(39,396)	(39,396)
Transportation	-	-	112,721	112,721
Cultural and recreational	-	(305,634)	-	(305,634)
Unassigned	3,425,547	-	-	3,425,547
	<u>4,941,270</u>	<u>(305,634)</u>	<u>239,219</u>	<u>4,874,855</u>
	<u>\$ 5,177,358</u>	<u>\$ 435,992</u>	<u>\$ 300,811</u>	<u>\$ 5,914,161</u>
Total liabilities, deferred inflows of resources and fund balances				

**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position**

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

Total Fund Balance, Governmental Funds	\$	4,874,855
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Gross capital assets at historical cost	\$	20,676,500
Accumulated depreciation		<u>(9,634,886)</u>
		11,041,614
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		434,222
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		478,273
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Long-term debt		(602,892)
Net pension liability		(468,854)
Total pension liability		(712,462)
Total OPEB liability		(991,795)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, not reported in the funds.		(7,327)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.		<u>(80,068)</u>
Net position of governmental activities	\$	<u><u>13,965,566</u></u>

**Town of Siler City, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 4**  
**(2 pages)**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Project Fund - Aquatic Facility</b>	<b>Non-Major Governmental Funds</b>	
<b>Revenues</b>				
Ad valorem taxes	\$ 2,116,535	\$ 118,160	\$ -	\$ 2,234,695
Other taxes and licenses	1,513	-	-	1,513
Unrestricted intergovernmental revenues	2,847,612	-	-	2,847,612
Restricted intergovernmental revenues	642,132	-	76,644	718,776
Permits and fees	301,547	-	-	301,547
Sales and services	506,274	-	-	506,274
Investment earnings	70,079	-	249	70,328
Miscellaneous	48,983	-	-	48,983
<b>Total revenues</b>	<b>6,534,675</b>	<b>118,160</b>	<b>76,893</b>	<b>6,729,728</b>
<b>Expenditures</b>				
General government	1,250,417	-	-	1,250,417
Public safety	2,236,614	-	-	2,236,614
Transportation	784,906	-	68,520	853,426
Environmental protection	488,637	-	-	488,637
Economic and physical development	157,033	-	7,471	164,504
Cultural and recreational	535,773	903,829	10,983	1,450,585
Debt service:				
Principal retirement	218,502	-	-	218,502
Interest and fees	17,904	-	-	17,904
<b>Total expenditures</b>	<b>5,689,786</b>	<b>903,829</b>	<b>86,974</b>	<b>6,680,589</b>
Revenues over (under) expenditures	844,889	(785,669)	(10,081)	49,139
<b>Other financing sources (uses)</b>				
Net transfers from (to) other funds	(240,429)	-	240,429	-
Capital lease obligations issued	177,091	-	-	177,091
Insurance proceeds	11,139	-	-	11,139
<b>Total financing sources (uses)</b>	<b>(52,199)</b>	<b>-</b>	<b>240,429</b>	<b>188,230</b>
Net change in fund balance (deficit)	792,690	(785,669)	230,348	237,369
Fund balance, beginning of year	4,148,580	480,035	8,871	4,637,486
Fund balance (deficit), end of year	<b>\$ 4,941,270</b>	<b>\$ (305,634)</b>	<b>\$ 239,219</b>	<b>\$ 4,874,855</b>

**Town of Siler City, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 4**  
**(2 pages)**

**Reconciliation of Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

Net changes in fund balances - total governmental funds	\$	237,369
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal:		
Capital outlay	1,229,608	
Depreciation	<u>(481,443)</u>	748,165
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		157,865
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities.		38,771
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		24,511
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, property tax receivable	50,933	
Change in unavailable capital grant revenue	<u>383,533</u>	434,466
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 assets. This amount is the net affect of these differences in the treatment of long-term debt and related items:		
Capital lease obligations issued	(177,091)	
Principal payments on long-term debt	218,502	
Increase in accrued interest payable	<u>(579)</u>	40,832
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	(11,307)	
Pension expense	(210,214)	
OPEB expense	<u>(64,842)</u>	<u>(286,363)</u>
Total change in net position of governmental activities		<u>\$ 1,395,616</u>

**Town of Siler City, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 5**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 2,102,800	\$ 2,102,800	\$ 2,116,535	\$ 13,735
Other taxes and licenses	2,200	2,200	1,513	(687)
Unrestricted intergovernmental revenues	2,583,400	2,583,400	2,847,612	264,212
Restricted intergovernmental revenues	684,976	684,976	642,132	(42,844)
Permits and fees	331,200	331,200	301,547	(29,653)
Sales and services	587,750	590,883	506,274	(84,609)
Investment earnings	11,600	11,600	70,079	58,479
Miscellaneous	5,600	5,600	48,983	43,383
<b>Total revenues</b>	<b>6,309,526</b>	<b>6,312,659</b>	<b>6,534,675</b>	<b>222,016</b>
<b>Expenditures</b>				
General government	1,352,269	1,461,769	1,250,417	211,352
Public safety	2,214,883	2,284,298	2,236,614	47,684
Transportation	1,037,378	1,048,138	784,906	263,232
Environmental protection	635,438	635,438	488,637	146,801
Economic and physical development	140,552	163,127	157,033	6,094
Cultural and recreational	513,933	552,066	535,773	16,293
Debt service:				
Principal retirement	431,304	218,502	218,502	-
Interest and fees	13,187	125,229	17,904	107,325
<b>Total expenditures</b>	<b>6,338,944</b>	<b>6,488,567</b>	<b>5,689,786</b>	<b>798,781</b>
Revenues over (under) expenditures	(29,418)	(175,908)	844,889	1,020,797
<b>Other financing sources (uses)</b>				
Transfers from (to) other funds	(57,000)	(484,200)	(240,429)	243,771
Capital lease obligations issued	-	-	177,091	177,091
Insurance proceeds	4,000	8,489	11,139	2,650
<b>Total other financing sources (uses)</b>	<b>(53,000)</b>	<b>(475,711)</b>	<b>(52,199)</b>	<b>423,512</b>
Appropriation from fund balance	82,418	651,619	-	(651,619)
Net change in fund balance	\$ -	\$ -	792,690	\$ 792,690
Fund balance, beginning of year			4,148,580	
Fund balance, end of year			\$ 4,941,270	

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



**Town of Siler City, North Carolina**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2018**

**Exhibit 6**

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,658,711	\$ 105,026	\$ 2,763,737
Accounts receivable (net) - billed	574,346	-	574,346
Accounts receivable (net) - unbilled	275,450	-	275,450
Accounts receivable - miscellaneous	4,935	-	4,935
Due from other governments	292,727	-	292,727
Due from other funds	939	-	939
Restricted cash and investments	317,462	-	317,462
Total current assets	<u>4,124,570</u>	<u>105,026</u>	<u>4,229,596</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	5,551,969	-	5,551,969
Other capital assets, net of depreciation	19,488,715	18,675	19,507,390
Total capital assets, net	<u>25,040,684</u>	<u>18,675</u>	<u>25,059,359</u>
Total noncurrent assets	<u>25,040,684</u>	<u>18,675</u>	<u>25,059,359</u>
Total assets	<u>29,165,254</u>	<u>123,701</u>	<u>29,288,955</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	166,865	13,752	180,617
OPEB deferrals	18,200	-	18,200
	<u>185,065</u>	<u>13,752</u>	<u>198,817</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	285,492	3,393	288,885
Accrued interest	117,436	-	117,436
Due to other funds	-	300	300
Customer deposits/overpayments	317,462	-	317,462
Current portion of compensated absences	20,805	3,253	24,058
Current portion of long-term debt	911,129	-	911,129
Total current liabilities	<u>1,652,324</u>	<u>6,946</u>	<u>1,659,270</u>
Noncurrent liabilities:			
Net pension liability	210,115	17,317	227,432
Noncurrent portion of compensated absences	45,731	130	45,861
Total OPEB liability	308,920	16,259	325,179
Noncurrent portion of long-term debt	8,997,364	-	8,997,364
Total noncurrent liabilities	<u>9,562,130</u>	<u>33,706</u>	<u>9,595,836</u>
Total liabilities	<u>11,214,454</u>	<u>40,652</u>	<u>11,255,106</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	7,460	615	8,075
OPEB deferrals	18,174	957	19,131
	<u>25,634</u>	<u>1,572</u>	<u>27,206</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,132,191	18,675	15,150,866
Unrestricted	2,978,040	76,554	3,054,594
Total net position	<u>\$ 18,110,231</u>	<u>\$ 95,229</u>	<u>\$ 18,205,460</u>

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

**Town of Siler City, North Carolina**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 7**

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
<b>Operating revenues</b>			
Water charges	\$ 3,250,322	\$ -	\$ 3,250,322
Sewer charges	1,795,485	-	1,795,485
Water and sewer taps	3,600	-	3,600
Reconnection fees	94,970	-	94,970
Water meter installation	753	-	753
License plate agency fees	-	113,781	113,781
Notary fees	-	41,481	41,481
Other operating revenue	83,649	3,679	87,328
	<u>5,228,779</u>	<u>158,941</u>	<u>5,387,720</u>
<b>Operating expenses</b>			
Administration	297,713	-	297,713
Water operations	1,142,272	-	1,142,272
Sewer operations	1,239,090	-	1,239,090
Water and sewer maintenance	476,334	-	476,334
License plate agency	-	127,404	127,404
Risk Management	242,334	-	242,334
Depreciation	1,019,848	1,199	1,021,047
	<u>4,417,591</u>	<u>128,603</u>	<u>4,546,194</u>
Operating income	<u>811,188</u>	<u>30,338</u>	<u>841,526</u>
<b>Nonoperating revenues (expenses)</b>			
Intergovernmental revenue	346,656	-	346,656
Interest earned on investments	12,014	-	12,014
Interest and fees	(298,217)	-	(298,217)
	<u>60,453</u>	<u>-</u>	<u>60,453</u>
Change in net position	871,641	30,338	901,979
Total net position, beginning	17,429,030	81,746	17,510,776
Cumulative effect adjustment	(190,440)	(16,855)	(207,295)
Total net position, beginning, adjusted	<u>17,238,590</u>	<u>64,891</u>	<u>17,303,481</u>
Total net position, ending	<u>\$ 18,110,231</u>	<u>\$ 95,229</u>	<u>\$ 18,205,460</u>

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

**Town of Siler City, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 8**

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 5,218,608	\$ 158,941	\$ 5,377,549
Cash paid for goods and services	(2,265,994)	(6,705)	(2,272,699)
Cash paid to employees for services	(1,114,786)	(118,165)	(1,232,951)
Customer deposits received, net	35,358	-	35,358
	<u>1,873,186</u>	<u>34,071</u>	<u>1,907,257</u>
<b>Net cash provided by operating activities</b>			
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(380,358)	-	(380,358)
Proceeds from sale of capital assets	-	-	-
Capital contributions	53,929	-	53,929
Principal paid on long-term debt	(842,000)	-	(842,000)
Proceeds from issuance of capital leases	82,897	-	82,897
Principal paid on capital leases	(67,537)	-	(67,537)
Interest paid on long-term debt	(280,476)	-	(280,476)
	<u>(1,433,545)</u>	<u>-</u>	<u>(1,433,545)</u>
<b>Net cash used by capital and related financing activities</b>			
<b>Cash flows from investing activities</b>			
Interest on investments	12,014	-	12,014
	<u>12,014</u>	<u>-</u>	<u>12,014</u>
<b>Net cash provided by investing activities</b>			
	451,655	34,071	485,726
<b>Net increase in cash and investments</b>			
Cash and investments at beginning of year	2,524,518	70,955	2,595,473
	<u>\$ 2,976,173</u>	<u>\$ 105,026</u>	<u>\$ 3,081,199</u>
<b>Cash and investments at end of year</b>			
Cash and investments at end of year	\$ 2,658,711	\$ 105,026	\$ 2,763,737
Restricted cash and investments at end of year	317,462	-	317,462
	<u>\$ 2,976,173</u>	<u>\$ 105,026</u>	<u>\$ 3,081,199</u>
<b>Total cash and investments at end of year</b>			

**Town of Siler City, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit 8**

	<u>Major</u> <u>Water</u> <u>and Sewer</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 811,188	\$ 30,338	\$ 841,526
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,019,848	1,199	1,021,047
Provision for bad debts	1,534	-	1,534
Change in assets and liabilities:			
Increase in receivables	(11,810)	-	(11,810)
Decrease in net pension liability	(82,845)	(7,139)	(89,984)
Decrease in total OPEB liability	(11,316)	(596)	(11,912)
Decrease in deferred outflows of resources for pensions	90,938	7,769	98,707
Increase in deferred outflows of resources for OPEB	(5,075)	-	(5,075)
Decrease in deferred inflows of resources for pensions	(5,330)	(453)	(5,783)
Increase in deferred inflows of resources for OPEB	18,174	957	19,131
Increase in accounts payable and accrued liabilities	7,645	795	8,440
Increase in compensated absences	4,877	1,201	6,078
Increase in customer deposits	35,358	-	35,358
	<u>\$ 1,873,186</u>	<u>\$ 34,071</u>	<u>\$ 1,907,257</u>
Net cash provided by operating activities	<u>\$ 1,873,186</u>	<u>\$ 34,071</u>	<u>\$ 1,907,257</u>

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Siler City (the "Town") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

#### **A. Reporting Entity**

The Town is a municipal corporation which is governed by an elected mayor and a seven-member council. The Town provides services which include general government, public safety, streets, sanitation, zoning and recreation. The Town maintains a water and sewer system which supplies services to the Town and surrounding area on a user-charge basis and a NC License Plate Agency which charges for services based on a schedule of fees set by North Carolina Department of Motor Vehicles.

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

#### **Town of Siler City Board of Alcoholic Beverage Control ("ABC Board")**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Siler City's ABC Board, 1404 East 11<sup>th</sup> Street, Siler City, North Carolina.

#### **B. Basis of Presentation**

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

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

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

## **Town of Siler City, North Carolina**

### **Notes to Financial Statements**

---

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

The Town reports the following major governmental funds:

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

*Capital Projects Fund (Aquatic Facility)* - The Aquatic Facility Capital Projects Fund is used to account for the financial resources to be used for the renovation of the Bray Park Aquatic Facility.

The Town reports the following non-major governmental funds:

*Capital Projects Funds* - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town has seven Capital Projects Funds within the Governmental Fund Types which were established for cultural and recreational development, transportation, and economic and physical development. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the Capital Projects Fund.

#### **Proprietary Funds**

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. For financial reporting purposes, the Water and Sewer Capital Reserve Fund, Wastewater Collection System Improvements Capital Project Fund, CAM Water System Extension Capital Project Fund, and Water Treatment Plan Improvements Capital Project Fund have been consolidated with the Water and Sewer Fund.

The Town reports the following non-major enterprise fund:

*License Plate Agency Fund* - This fund is used to account for the Town's license plate agency operations.

#### ***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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

## **Town of Siler City, North Carolina**

### **Notes to Financial Statements**

---

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

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

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

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

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

***D. Budgetary Data***

The Town’s budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise (Water and Sewer and License Plate Agency) Funds on a departmental basis. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Fund, Capital Projects Funds and the Water and Sewer Capital Reserve Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The annual budget is prepared on the modified accrual basis of accounting. Budgetary control is exercised in all funds. Appropriations are made at the departmental level and are amended as necessary by the governing board. The Town manager is authorized to transfer appropriations within a department. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (“NCCMT”). The Town’s investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT’s share price. The NCCMT - Term Portfolio’s securities are valued at fair value. The ABC Board has no investments.

(2) Cash and Cash Equivalents

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

(3) Restricted Assets

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

Restricted cash:

Governmental activities:	
General fund:	
Streets - Powell Bill	\$ 577,293
Business-type activities:	
Water and sewer fund:	
Customer deposits	<u>317,462</u>
Total restricted cash	<u>\$ 894,755</u>



**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

(4) Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 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.

(5) Allowances for Doubtful Accounts

The Town provides an allowance for uncollectible taxes which it does not expect to collect based on historical collection rates of prior tax levies and an allowance for uncollectible water and sewer accounts. The Town does not experience any other material loss from other uncollectible accounts. Losses, if any, are charged to operations by the direct write-off method.

(6) Inventory and Prepaid Items

The ABC Board's liquor inventory is stated at replacement cost prices per the approved list of the North Carolina State Board of Alcoholic Beverage Control. Wine inventory is carried at cost. 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. Prepaid items consist of prepaid insurance.

(7) Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been recorded. 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:

Infrastructure	50 years
Buildings and improvements	30 years
Vehicles	6 years
Furniture and equipment	10 years

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

Buildings	20 years
Furniture and equipment	10 years

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

(8) Deferred Outflows/Inflows of Resources

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

(9) Long-Term Obligations

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

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

(10) Compensated Absences

The vacation policy of the Town provides 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 (if any) 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 policy provides 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

(11) Net Position/Fund Balances

**Net Position**

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

**Fund Balances**

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

The governmental fund types classify fund balances as follows:

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

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

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

*Restricted for Stabilization by State Statute* - 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 the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

*Capital Projects* - portion of fund balance that is to be used for capital projects for various functions of the Town.

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

*Economic and Physical Development* - portion of fund balance that has been budgeted by the Board for sidewalks.

*Transportation* - portion of fund balance that has been budgeted by the Board for airport projects.

*Cultural and Recreational* - portion of fund balance that has been budgeted by the Board for parks.

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

The Town does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town has not adopted a minimum fund balance policy for the general fund.

(12) Pensions

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

## **2. Stewardship, Compliance, and Accountability**

### **A. Deficit in Fund Balance or Net Position of Individual Funds**

At June 30, 2018, The Town had deficits in the NCDOT Safe Routes to School, Greenway Construction, Airport Runway, Aquatic Facility, Wastewater Collection System Improvements, CAM Water System Extension, and Water Treatment Plant Improvements Capital Projects Funds of \$33,298, \$6,098, \$9,426, \$305,634, \$220, \$208,220, and \$29,160, respectively. The deficits in the Aquatic Facility, CAM Water System Extension, and Water Treatment Plant Improvements Capital Projects Funds are due to timing only, as the respective grant revenues were not considered to be available as of June 30, 2019, and therefore are presented as deferred revenues. The remaining deficits are a result of the Town not transferring over funds from the General Fund or Water and Sewer Fund to cover the Town's obligation under these projects.

### **Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2018, the expenditures made in the Town's General Fund exceeded the authorized appropriations by the governing board in the Police function (public safety) by \$35,578. In addition, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations by the governing board in the Water and Sewer Maintenance function by \$2,564, and the Debt Service function by \$15,599. These over-expenditures were largely due to journal entries that were made after the final budget amendment to record capital lease proceeds and the related capital outlays and debt service. In the future, the Town is committed to more timely booking of journal entries and coordination with budget staff for known outstanding journal entries as of June 30<sup>th</sup>.

## **3. Detail Notes on All Funds**

### **A. Assets**

#### **(1) Deposits**

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

At June 30, 2018, the Town's deposits had a carrying amount of \$681,862 and a bank balance of \$828,179. Of the bank balance, \$472,022 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$336,046 and the bank balance was \$324,830. 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 and ABC Board's petty cash fund totaled \$350 and \$1,600, respectively.

(2) Investments

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

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2018</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized cost	\$ 6,874,985	N/A	AAAm

The Town and the ABC Board have no policy regarding credit risk of its investments.

(3) Receivables - Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position (Exhibit 1) for are net of an allowance for uncollectible taxes of \$41,000.

The amount of water and sewer accounts receivable presented in the Balance Sheet and Statement of Net Position (Exhibit 1) are net of an allowance for uncollectible amounts of \$55,000.

(4) Capital Assets

**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2017</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 779,838	\$ -	\$ -	\$ 779,838
Construction in progress	5,181,483	938,458	(685,675)	5,434,266
	<u>5,961,321</u>	<u>938,458</u>	<u>(685,675)</u>	<u>6,214,104</u>
Capital assets being depreciated:				
Buildings	3,229,976	40,749	137,417	3,408,142
Other improvements	4,154,717	1,091	338,080	4,493,888
Equipment	1,508,415	120,133	210,178	1,838,726
Computer equipment	264,181	-	-	264,181
Vehicles and motorized equipment	3,640,937	129,177	-	3,770,114
Infrastructure	687,345	-	-	687,345
	<u>13,485,571</u>	<u>291,150</u>	<u>685,675</u>	<u>14,462,396</u>
Grand total	<u>19,446,892</u>	<u>1,229,608</u>	<u>-</u>	<u>20,676,500</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

<u>Governmental Activities</u>	<u>July 1, 2017</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2018</u>
Less accumulated depreciation and amortization for:				
Buildings	\$ 2,236,065	\$ 103,307	\$ -	\$ 2,339,372
Other improvements	2,980,437	121,525	-	3,101,962
Equipment	855,187	79,105	-	934,292
Computer equipment	188,492	8,404	-	196,896
Vehicles and motorized equipment	2,546,368	133,869	-	2,680,237
Infrastructure	<u>346,894</u>	<u>35,233</u>	<u>-</u>	<u>382,127</u>
	<u>9,153,443</u>	<u>481,443</u>	<u>-</u>	<u>9,634,886</u>
Total capital assets being depreciated, net	<u>4,332,128</u>			<u>4,827,510</u>
Governmental activity capital assets, net	<u>\$ 10,293,449</u>			<u>\$ 11,041,614</u>

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

General government	\$ 46,044
Public safety	211,592
Cultural and recreation	151,641
Transportation	<u>72,166</u>
Total depreciation expense	<u>\$ 481,443</u>

<u>Business-Type Activities - Water and Sewer Fund</u>	<u>July 1, 2017</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 5,158,393	\$ -	\$ -	\$ 5,158,393
Construction in progress	<u>-</u>	<u>393,576</u>	<u>-</u>	<u>393,576</u>
	<u>5,158,393</u>	<u>393,576</u>	<u>-</u>	<u>5,551,969</u>
Capital assets being depreciated:				
Buildings	8,054,739	10,970	-	8,065,709
Other improvements	34,465,598	-	-	34,465,598
Equipment and vehicles	1,308,169	179,971	-	1,488,140
Computer equipment	<u>302,307</u>	<u>-</u>	<u>-</u>	<u>302,307</u>
	<u>44,130,813</u>	<u>190,941</u>	<u>-</u>	<u>44,321,754</u>
Grand total	<u>49,289,206</u>	<u>584,517</u>	<u>-</u>	<u>49,873,723</u>
Less accumulated depreciation for:				
Buildings	5,832,760	196,516	-	6,029,276
Other improvements	16,585,314	777,815	-	17,363,129
Equipment and vehicles	1,346,093	44,056	-	1,390,149
Computer equipment	<u>49,024</u>	<u>1,461</u>	<u>-</u>	<u>50,485</u>
	<u>23,813,191</u>	<u>1,019,848</u>	<u>-</u>	<u>24,833,039</u>
Total capital assets being depreciated, net	<u>20,317,623</u>			<u>19,488,715</u>
Business-type activities - Water and Sewer Fund, net	<u>\$ 25,476,015</u>			<u>\$ 25,040,684</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

<u>Business-Type Activities - License Plate Agency</u>	<u>July 1, 2017</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2018</u>
Capital assets being depreciated:				
Building renovations	\$ 23,982	\$ -	\$ -	\$ 23,982
Less accumulated depreciation for:				
Building renovations	<u>4,108</u>	<u>1,199</u>	<u>-</u>	<u>5,307</u>
Total capital assets being depreciated, net	<u>19,874</u>			<u>18,675</u>
Business-type activities - License Plate Agency, net	<u>\$ 19,874</u>			<u>\$ 18,675</u>

The Town has several active construction projects as of June 30, 2018. As of year-end, the Town has spent \$946,461 with respect to these projects and their remaining commitments are \$3,006,633.

**Discretely Presented Component Unit**

Capital asset activity for the ABC Board for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 201,385	\$ -	\$ -	\$ 201,385
Capital assets being depreciated:				
Buildings	329,948	-	-	329,948
Office equipment	<u>117,874</u>	<u>-</u>	<u>-</u>	<u>117,874</u>
	<u>447,822</u>	<u>-</u>	<u>-</u>	<u>447,822</u>
Grand total	<u>649,207</u>	<u>-</u>	<u>-</u>	<u>649,207</u>
Less accumulated depreciation and amortization for:				
Buildings	188,426	15,041	-	203,467
Office equipment	<u>93,845</u>	<u>8,922</u>	<u>-</u>	<u>102,767</u>
	<u>282,271</u>	<u>23,963</u>	<u>-</u>	<u>306,234</u>
Capital assets being depreciated, net	<u>165,551</u>			<u>141,588</u>
ABC Board capital assets, net	<u>\$ 366,936</u>			<u>\$ 342,973</u>

**B. Liabilities**

(1) Payables

Payables at June 30, 2018 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental activities:			
General	\$ 57,727	\$ 71,573	\$ 129,300
Other governmental	<u>-</u>	<u>370,030</u>	<u>370,030</u>
Total - governmental activities	<u>\$ 57,727</u>	<u>\$ 441,603</u>	<u>\$ 499,330</u>
Business-type activities:			
Water and Sewer	\$ 22,747	\$ 262,745	\$ 285,492
License Plate Agency	<u>-</u>	<u>3,393</u>	<u>3,393</u>
Total - business-type activities	<u>\$ 22,747</u>	<u>\$ 266,138</u>	<u>\$ 288,885</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

(2) Pension Plans and Postemployment Obligations

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

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

*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. 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 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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2018 was 8.25% of compensation for law enforcement officers and 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$230,861 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 \$696,286 for its proportionate share of the net pension liability. 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 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, 2017, the Town's proportion was 0.0456%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2016.



**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

For the year ended June 30, 2018, the Town recognized pension expense of \$237,784. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,115	\$ 19,711
Changes of assumptions	99,446	-
Net difference between projected and actual earnings on pension plan investments	169,071	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,510	5,011
Town contributions subsequent to the measurement date	<u>230,861</u>	<u>-</u>
Total	<u>\$ 553,003</u>	<u>\$ 24,722</u>

\$230,831 of the amount reported as deferred outflows of resources related to Town contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30:**

2019	\$ 37,659
2020	204,516
2021	105,496
2022	(50,251)
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 7.75 percent, 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.

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

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, 2017 are summarized in the following table:

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

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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20 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:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,090,417	\$ 696,286	\$ (467,281)

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

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

(i) *Plan description:*

The Town of Siler City administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At the December 31, 2016 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>20</u>
 Total	 <u><u>23</u></u>

A separate report was not issued for the plan.

(ii) *Summary of significant accounting policies:*

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

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

(iii) *Actuarial assumptions:*

The entry age actuarial cost method was used in the December 31, 2016 valuation. 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	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

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

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

(iv) *Change in actuarial assumptions:*

On the prior measurement date (December 31, 2016), the Municipal Bond Index Rate, on which the discount rate is based, was 3.86%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.16% as of the Measurement Date (December 31, 2017). This resulted in a \$31,742 increase in the Total Pension Liability.

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

(v) *Contributions:*

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$38,189 as benefits came due for the reporting period.

(vi) *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 total pension liability of \$712,462. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$48,368.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,074
Changes of assumptions	16,729	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>20,596</u>	<u>-</u>
Total	<u>\$ 37,325</u>	<u>\$ 5,074</u>

The \$20,596 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 2,524
2020	2,524
2021	2,524
2022	3,295
2023	788
Thereafter	<u>-</u>
Total	<u>\$ 11,655</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

(vii) *Sensitivity of the Town's total pension liability to changes in the discount rate:*

The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total pension liability	\$ 757,991	\$ 712,462	\$ 670,260
	<u>2018</u>		
Beginning balance		\$ 678,839	
Service cost		19,972	
Interest on the total pension liability		25,484	
Changes of benefit terms		-	
Differences between expected and actual experience in the measurement of the total pension liability		(6,294)	
Changes of assumptions or other inputs		31,742	
Benefit payments		<u>(37,281)</u>	
Ending balance of the total pension liability		<u>\$ 712,462</u>	

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

**(c) Total expense, liabilities and deferred outflows and inflows of resources related to pensions**

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 237,784	\$ 48,368	\$ 286,152
Pension liability	696,286	712,462	1,408,748
Proportionate share of net pension liability	0.0456%	N/A	N/A
<b>Deferred outflows of resources:</b>			
Differences between expected and actual experience	\$ 40,115	\$ -	\$ 40,115
Changes of assumptions	99,446	16,729	116,175
Net difference between projected and actual earnings on plan investments	169,071	-	169,071
Changes in proportion and differences between contributions and proportionate share of contributions	13,510	-	13,510
Benefit payments and administrative costs paid subsequent to the measurement date	230,861	20,596	251,457

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred inflows of resources:</b>			
Differences between expected and actual experience	\$ 19,711	\$ 5,074	\$ 24,785
Changes in proportion and differences between contributions and proportionate share of contributions	5,011	-	5,011

**(d) Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description* - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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 Plan. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

The Town made contributions of \$47,583 for the reporting year. No amounts were forfeited.

**(e) Section 401(k) Plan for General Employees**

*Plan Description* - The Town contributed to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

*Funding Policy* - The Town annually determines the amount of contributions. For the year ended June 30, 2018, the Town contributed two and one half percent (2.5%) on each general employee salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$45,775 for the reporting year. No amounts were forfeited.

**(f) Other Employment Benefits**

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

(2) Obligations

*Healthcare Benefits*

*Plan Description* - Under the terms of a Town resolution, the Town provided postretirement healthcare benefits to retirees of the Town. The plan provides postemployment healthcare benefits to retirees of the Town until the age of 65, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

<u>Years of Service with the Town at Retirement</u>	<u>Town Contribution to Retiree Health Insurance Premium</u>
0 to 9 years	Not eligible
10 to 19 years	25%
20 to 29 years	50%
30 or more years	100%

Membership of the HC Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	13	1
Active plan members	<u>51</u>	<u>16</u>
Total	<u>64</u>	<u>17</u>

**Total OPEB liability**

The Town's total OPEB liability of \$1,316,974 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.56 percent
Healthcare cost trend rates	7.50% decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

**Changes in the total OPEB liability**

	<u>2018</u>
Beginning balance	\$ 1,365,218
Service cost	58,913
Interest on the total OPEB liability	40,257
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(26,496)
Changes of assumptions or other inputs	(64,966)
Benefit payments	<u>(55,952)</u>
Ending balance of the total OPEB liability	<u>\$ 1,316,974</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Total OPEB liability	<u>\$ 1,438,002</u>	<u>\$ 1,316,974</u>	<u>\$ 1,208,357</u>

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

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 1,188,741</u>	<u>\$ 1,316,974</u>	<u>\$ 1,467,109</u>



**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

**OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$85,185. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,445
Changes of assumptions	-	55,033
Benefit payments and administrative costs made subsequent to the measurement date	<u>42,711</u>	<u>-</u>
Total	<u>\$ 42,711</u>	<u>\$ 77,478</u>

\$42,711 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (13,985)
2020	(13,985)
2021	(13,985)
2022	(13,985)
2023	(13,985)
Thereafter	<u>(7,553)</u>
Total	<u>\$ (77,478)</u>

(3) Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows</u>
Contributions to pension plan in current fiscal year	\$ 230,861
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	20,596
Benefit payments made for OPEB subsequent to measurement date	42,711
Differences between actual and expected experience	40,115
Changes in proportion and differences between contributions and proportionate share of contributions	13,510
Changes of assumptions	116,175
Net difference between projected and actual earnings on pension plan investments	<u>169,071</u>
Total	<u>\$ 633,039</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$ 94,740
Capital grant funds receivable but unavailable	-	383,533
Prepaid taxes	-	791
Changes in assumptions	55,033	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,011	-
Differences between expected and actual experience	<u>47,230</u>	<u>-</u>
Total	<u>\$ 107,274</u>	<u>\$ 479,064</u>

(4) Long-Term Obligations

(a) **Capital Leases**

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement for computer equipment was executed on July 15, 2014 and requires 36 monthly payments of \$384 starting August 2014.

The agreement for various vehicles was executed on November 20, 2015 and requires four annual payments of \$65,804 starting January 2016.

The agreement for the scanner (computer equipment) was executed on October 1, 2015 and requires four semi-annual payments of \$939 starting April 2016.

The agreement for one Ford F-250 was executed on July 30, 2015 and requires three annual payments of \$8,826 starting July 2015.

The agreement for various vehicles was executed on September 19, 2016 and requires four annual payments of \$100,959 starting September 2016.

The agreement for various vehicles was executed on October 5, 2017 and requires four annual payments of \$78,291 starting October 2017.

The following is an analysis of the assets recorded under the capital leases at June 30, 2018:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 54,464	\$ 4,424	\$ 50,040
Vehicles and motorized equipment	<u>888,366</u>	<u>218,560</u>	<u>669,806</u>
Total	<u>\$ 942,830</u>	<u>\$ 222,984</u>	<u>\$ 719,846</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 158,326	\$ 49,975
2020	123,524	56,664
2021	53,328	24,963
2022	-	-
2023 and thereafter	-	-
Total minimum lease payments	335,178	131,602
Less: amount representing interest	<u>(15,972)</u>	<u>(6,764)</u>
Present value of minimum lease payments	<u>\$ 319,206</u>	<u>\$ 124,838</u>

**(b) Installment Purchases**

In April 2011, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in April 2012 with an interest rate of 3.17%. The outstanding balance at June 30, 2018 is \$116,712.

In July 2012, the Town entered into an installment purchase contract to finance the purchase of computer equipment and software. The financing contract requires five equal payments of \$15,953 beginning in July 2013 with an interest rate of 2.09%. The remaining principal balance was repaid during the year ended June 30, 2018.

The future minimum payments of the installment purchases as of June 30, 2018, including \$9,889 of interest, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 37,348	\$ 3,666	\$ 41,014
2020	38,532	2,482	41,014
2021	40,832	3,741	44,573
2022	-	-	-
2023 and thereafter	-	-	-
Totals	<u>\$ 116,712</u>	<u>\$ 9,889</u>	<u>\$ 126,601</u>

**(c) General Obligation Indebtedness**

General obligation bonds, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and loans from the North Carolina Water Pollution Control Revolving Fund and North Carolina Clean Water Bond Program used to finance the construction of a sewer wastewater treatment facility and water lines, are reported as long-term debt in the Water and Sewer Fund since the resources of the fund are being used to retire the bonds and notes. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

*Serviced by the Water and Sewer Fund:*

Long-term debt at June 30, 2018 is comprised of the following:

Note payable to Carolina Bank (issued June 19, 2007 in the amount of \$8,000,000 and refinanced December 1, 2015) with principal and interest due in semi-annual installments starting in July 2016 with a balloon payment due July 2027; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction).	\$ 5,024,877
Note payable to Carolina Bank (issued January 29, 2008 in the amount of \$8,000,000 and refinanced January 1, 2016) with principal and interest due in semi-annual installments starting in July 2016; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction).	<u>4,758,778</u>
	<u>\$ 9,783,655</u>

**(d) Maturities of Long-Term Debt**

Annual debt service requirements to maturity for general obligation indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 865,000	\$ 255,358	\$ 1,120,358
2020	888,000	232,104	1,120,104
2021	912,000	208,233	1,120,233
2022	937,000	183,709	1,120,709
2023	962,000	158,531	1,120,531
Thereafter	<u>5,219,655</u>	<u>322,216</u>	<u>5,541,871</u>
Totals	<u>\$ 9,783,655</u>	<u>\$ 1,360,151</u>	<u>\$ 11,143,806</u>

**(e) Changes in Long-Term Liabilities**

Compensated absences for governmental activities have typically been liquidated in the General Fund.

At June 30, 2018, the Town had a legal debt margin of approximately \$33,062,287.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2018:

	<u>July 1, 2017, as Adjusted</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Due within One Year</u>
Governmental activities:					
Capitalized leases	\$ 308,789	\$ 177,091	\$ 166,674	\$ 319,206	\$ 148,657
Installment purchases	168,541	-	51,829	116,712	37,348
Compensated absences	155,667	57,672	46,365	166,974	49,733
Separation allowance	678,839	33,623	-	712,462	-
Other postemployment benefits	1,028,127	-	36,332	991,795	-
Net pension liability (LGERS)	<u>667,086</u>	<u>-</u>	<u>198,232</u>	<u>468,854</u>	<u>-</u>
	<u>\$ 3,007,049</u>	<u>\$ 268,386</u>	<u>\$ 499,432</u>	<u>\$ 2,776,003</u>	<u>\$ 235,738</u>

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

	<u>July 1, 2017, as Adjusted</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Due within One Year</u>
Business-type activities:					
Notes	\$ 10,625,655	\$ -	\$ 842,000	\$ 9,783,655	\$ 865,000
Capitalized leases	109,478	82,897	67,537	124,838	46,129
Compensated absences	63,841	27,456	21,378	69,919	24,058
Total OPEB liability	337,091	-	11,912	325,179	-
Net pension liability (LIGERS)	<u>317,416</u>	<u>-</u>	<u>89,984</u>	<u>227,432</u>	<u>-</u>
	<u>\$ 11,453,481</u>	<u>\$ 110,353</u>	<u>\$ 1,032,811</u>	<u>\$ 10,531,023</u>	<u>\$ 935,187</u>

**(f) Discretely Presented Component Unit**

Long-term debt at June 30, 2018 consists of the following:

Note payable to BB&T in monthly installments of \$1,098 through May 2020 including interest at 3.75%; secured by deed of trust.	<u>\$ 25,001</u>
---	------------------

Maturities of the above debt are as follows:

**Year Ending June 30:**

2019	\$ 12,825
2020	12,176
2021	-
2022	<u>-</u>
	<u>\$ 25,001</u>

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2018, consist of the following:

Due to the General Fund from the License Plate Agency Fund	\$ 300
Due to the Water and Sewer Fund from the Capital Reserve Fund	833
Due to the Water and Sewer Fund from the General Fund	106
Due to the Capital Reserve Fund from the General Fund	9,995
Due to the General Fund from the Capital Project Fund (NCDOT Safe Routes to School)	33,298
Due to the General Fund from the Capital Project Fund (Greenway Construction)	6,098
Due to the General Fund from the Capital Project Fund (Airport Runway)	9,426

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

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

Transfers to/from other funds at June 30, 2018 consist of the following:

From the General Fund to the Capital Reserve Fund - capital project expenditures	\$ 57,000
From the General Fund to the Capital Project Fund (Obstruction removal) - capital project expenditures	7,285
From the General Fund to the Capital Project Fund (Parks Master Plan) - clear beginning fund balance deficit	10,500
From the General Fund to the Capital Project Fund (Library Remodel) - future capital project expenditures	24,900
From the General Fund to the Capital Project Fund (LDP Update) - capital project expenditures	311
From the General Fund to the Capital Project Fund (Airfield Lighting) - capital project expenditures	100,370
From the General Fund to the Capital Project Fund (Airport Precision API) - capital project expenditures	18,464
From the Capital Project Fund to the General Fund (ALP Update) - transfer fund balance	6,804
From the General Fund to the Capital Project Fund (Land Acquisition - White Property) - capital project expenditures	<u>28,403</u>
Total transfers	<u>\$ 254,037</u>

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

**D. Net Investment in Capital Assets**

The following table represents the calculation of the Town's net investment in capital assets at June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 11,041,614	\$ 25,059,359
Less: Long-term debt	<u>(435,918)</u>	<u>(9,908,493)</u>
Net investment in capital assets	<u>\$ 10,605,696</u>	<u>\$ 15,150,866</u>

**E. Fund Balance**

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

Total fund balance - General Fund	\$ 4,941,270
Less:	
Stabilization by State Statute	(938,430)
Streets - Powell Bill	<u>(577,293)</u>
Remaining fund balance	<u>\$ 3,425,547</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 \$1,000,000 per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the 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 last three fiscal years.

The Town does not carry flood insurance because they are not located within a flood plain.

In accordance with G.S.159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 per employee.

#### **5. Summary Disclosure of Significant Contingencies**

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

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

#### **6. Commitments**

The Town entered into a five (5) year contract with Waste Industries beginning July 1, 2017 to provide the collection and transportation of all residential and business solid waste and recyclable materials located within the Town. The Town agreed to compensate the contractor a base fee for this service which will be adjusted on July 1 of each year based upon the change in the Consumer Price Index for the preceding year.

The Town has agreed to pay a proportionate share of a Chatham County water and sewer project associated with the Chatham Business Park through the fiscal year ending 2036. The following represent the Town's future obligations related to this commitment:

**Town of Siler City, North Carolina**  
**Notes to Financial Statements**

---

**Year Ending June 30:**

2019	\$	9,805
2020		9,347
2021		8,816
2022		8,300
2023		7,784
Thereafter		<u>50,518</u>
	\$	<u>94,570</u>

**7. Changes in Accounting Principles**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record a beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town towards the plan during the measurement period. The information necessary for full retrospective application is not available, so the accounting change was implemented in fiscal year 2018 with a cumulative effect adjustment to net position as of the beginning of the year. As a result, government-wide net position at July 1, 2017 decreased \$929,319 (\$722,024 for governmental activities, and \$207,295 for business-type activities).

**8. Subsequent Events**

Effective November 2018, the Town has financed equipment through the issuance of debt in the amount of \$289,210. The debt is payable over four (4) years and payments began on November 15, 2018.

Effective August 2018, the Town has financed a Fire Engine Pumper from Pierce Manufacturing through the issuance of debt in the amount of \$641,185. The debt is payable over ten (10) years with payments beginning October 1, 2019.



## **Required Supplementary Information**

This Page Left Blank Intentionally

**Town of Siler City, North Carolina  
Law Enforcement Officers' Special Separation Allowance -  
Required Supplementary Information  
Last Two Fiscal Years**

**Schedule of Changes in Total Pension Liability**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 678,839	\$ 683,310
Service cost	19,972	22,758
Interest on the total pension liability	25,484	23,729
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(6,294)	-
Changes of assumptions or other inputs	31,742	(13,677)
Benefit payments	(37,281)	(37,281)
Other changes	-	-
Ending balance of the total pension liability**	<u>\$ 712,462</u>	<u>\$ 678,839</u>

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

	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 712,462	\$ 678,839
Covered payroll	931,791	942,395
Total pension liability as a percentage of covered payroll	76.46%	72.03%

*\* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.*

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

**Town of Siler City, North Carolina**  
**Other Postemployment Benefits**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios -**  
**Required Supplementary Information**  
**June 30, 2018**

<b>Total OPEB liability:</b>	
Service cost	\$ 58,913
Interest	40,257
Changes of benefit terms	-
Differences between expected and actual experience	(26,496)
Changes of assumptions or other inputs	(64,966)
Benefit payments	<u>(55,952)</u>
Net change in total OPEB liability	(48,244)
Total OPEB liability, beginning	<u>1,365,218</u>
Total OPEB liability, ending	<u><u>\$ 1,316,974</u></u>
Covered-employee payroll	\$ 2,785,826
Total OPEB liability as a percentage of covered-employee payroll	47.27%

**Notes to the Schedule:**

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

**Town of Siler City, North Carolina  
Local Government Employees' Retirement System -  
Required Supplementary Information  
Last Five Fiscal Years  
For the Year Ended June 30, 2018**

<b>Proportionate Share of Net Pension Liability (Asset)*</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) %	<b>0.0456%</b>	0.0464%	0.0441%	0.0465%	0.0476%
Town's proportion of the net pension liability (asset) (\$)	<b>\$ 696,286</b>	\$ 984,502	\$ 197,829	\$ (274,055)	\$ 573,763
Town's covered-employee payroll	<b>\$ 2,447,632</b>	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637	\$ 2,681,174
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<b>28.45%</b>	35.73%	7.40%	-10.36%	21.40%
Plan fiduciary net position as a percentage of the total pension liability	<b>94.18%</b>	91.47%	98.09%	102.64%	94.35%

<b>Schedule of Contributions*</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	<b>\$ 230,861</b>	\$ 226,777	\$ 190,252	\$ 192,614	\$ 189,207
Contributions in relation to the contractually required contribution	<b>230,861</b>	226,777	190,252	192,614	189,207
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	<b>\$ 2,994,511</b>	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637
Contributions as a percentage of covered-employee payroll	<b>7.71%</b>	9.27%	6.91%	7.21%	7.15%

\* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

**This Page Left Blank Intentionally**

***Supplementary and Other Information***

**This Page Left Blank Intentionally**



**Town of Siler City, North Carolina**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2018 and June 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,566,895	\$ 2,813,963
Restricted cash	577,293	472,126
Taxes receivable, net	94,740	43,859
Accounts receivable, net	55,941	63,389
Due from other governments	820,802	850,702
Due from component unit	12,565	13,193
Due from other funds	49,122	116,421
Inventories	-	4,429
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 5,177,358</u>	<u>\$ 4,378,082</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 129,300	\$ 174,252
Unearned revenue	1,156	-
Due to other funds	10,101	9,995
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>140,557</u>	<u>184,247</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes receivable	94,740	43,859
Prepaid taxes	791	240
Prepaid other	-	1,156
	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>95,531</u>	<u>45,255</u>
<b>FUND BALANCES</b>		
Nonspendable		
Inventories	-	4,429
Restricted		
Stabilization by State Statute	938,430	1,043,705
Streets - Powell Bill	577,293	472,126
Unassigned	3,425,547	2,628,320
	<u>                    </u>	<u>                    </u>
Total fund balances	<u>4,941,270</u>	<u>4,148,580</u>
	<u>\$ 5,177,358</u>	<u>\$ 4,378,082</u>

**Town of Siler City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

**(5 pages)**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
<b>Revenues</b>				
Ad valorem taxes:				
Current year		\$ 2,062,969		\$ 2,100,705
Prior years		38,707		21,577
Penalties and interest		14,859		15,110
	<u>\$ 2,102,800</u>	<u>2,116,535</u>	<u>\$ 13,735</u>	<u>2,137,392</u>
Other taxes and licenses:				
Motor vehicle licenses		640		534
Rental vehicle tax		873		660
Privilege licenses		-		17,765
	<u>2,200</u>	<u>1,513</u>	<u>(687)</u>	<u>18,959</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		2,319,763		2,188,027
Franchise tax		342,464		338,745
Beer and wine tax		37,401		38,708
Piped natural gas tax		19,399		18,499
Telecommunications sales tax		42,719		46,549
Solid waste disposal tax		5,737		5,745
Video franchise fee		32,427		33,421
Gas tax refund		3,591		3,720
ABC profit distribution		44,111		35,095
	<u>2,583,400</u>	<u>2,847,612</u>	<u>264,212</u>	<u>2,708,509</u>
Restricted intergovernmental revenues:				
State street aid - Powell Bill		226,228		225,976
State - fire protection		2,488		2,509
Fire district tax		339,905		305,289
Controlled substance tax		231		36
FEMA Assistance		-		71,697
US Treasury Federal Forfeitures		645		-
Chatham County - Domestic Violence Police Grant		-		-
Governor's Crime Commission Domestic Violence grant		68,670		41,653
National Recreation and Parks grant		-		-
ABC revenue - law enforcement		3,510		1,842
Miscellaneous		455		-
	<u>684,976</u>	<u>642,132</u>	<u>(42,844)</u>	<u>649,002</u>

**Town of Siler City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

**(5 pages)**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
Permits and fees:				
Building permits		\$ 183,424		\$ 78,091
Fire inspections		16,040		11,685
Other permits		315		375
Zoning fees		101,768		44,376
	<u>\$ 331,200</u>	<u>301,547</u>	<u>\$ (29,653)</u>	<u>134,527</u>
Sales and services:				
Pavement cuts		300		300
Recreation:				
Concessions		8,844		3,277
Entry fees		17,095		12,760
Rent		11,391		9,684
Sponsorship		6,660		4,150
Chatham county allotment		-		41,395
Facilities rent		48,782		47,761
Officers' fees		1,659		1,287
Court facilities fees		2,487		1,565
Other		(20,188)		46,884
Cable franchise fee		-		-
Airport fees		151		142
Refuse container fees		-		-
Landfill tipping fees		429,093		543,734
	<u>590,883</u>	<u>506,274</u>	<u>(84,609)</u>	<u>712,939</u>
Investment earnings:				
Investment earnings	<u>11,600</u>	<u>70,079</u>	<u>58,479</u>	<u>26,828</u>
Miscellaneous:				
Donations		37,400		
Miscellaneous		5,583		40,458
Sales of cemetery plots		6,000		2,250
	<u>5,600</u>	<u>48,983</u>	<u>43,383</u>	<u>42,708</u>
Total revenues	<u>6,312,659</u>	<u>6,534,675</u>	<u>222,016</u>	<u>6,430,864</u>

**Town of Siler City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

**(5 pages)**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
<b>Expenditures</b>				
General government:				
Governing board:				
Salaries and employee benefits		\$ 43,663		\$ 53,619
Other operating expenditures		95,072		94,009
	<u>\$ 173,940</u>	<u>138,735</u>	<u>\$ 35,205</u>	<u>147,628</u>
Town manager:				
Salaries and employee benefits		117,136		121,478
Other operating expenditures		12,904		11,031
	<u>135,592</u>	<u>130,040</u>	<u>5,552</u>	<u>132,509</u>
Human resources:				
Salaries and employee benefits		58,456		47,253
Other operating expenditures		16,972		3,693
	<u>90,409</u>	<u>75,428</u>	<u>14,981</u>	<u>50,946</u>
Finance:				
Salaries and employee benefits		79,366		115,742
Other operating expenditures		72,997		66,548
	<u>157,572</u>	<u>152,363</u>	<u>5,209</u>	<u>182,290</u>
Buildings and grounds:				
Other operating expenditures	<u>69,177</u>	<u>49,914</u>		<u>68,002</u>
Court facilities:				
Other operating expenditures	<u>5,650</u>	<u>1,878</u>	<u>3,772</u>	<u>5,420</u>
Non-departmental:				
Insurance		518,634		149,940
Other operating expenditures		183,425		-
	<u>829,429</u>	<u>702,059</u>	<u>127,370</u>	<u>149,940</u>
Total general government	<u>1,461,769</u>	<u>1,250,417</u>	<u>192,089</u>	<u>736,735</u>
Public safety:				
Police:				
Salaries and employee benefits		1,319,544		1,530,715
Other operating expenditures		319,955		303,351
Capital outlay		110,463		146,211
	<u>1,714,384</u>	<u>1,749,962</u>	<u>(35,578)</u>	<u>1,980,277</u>
Fire:				
Salaries and employee benefits		159,017		159,556
Other operating expenditures		143,741		178,700
Capital outlay		34,837		35,393
	<u>402,170</u>	<u>337,595</u>	<u>64,575</u>	<u>373,649</u>

**Town of Siler City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

(5 pages)

	2018		Variance favorable (unfavorable)	2017
	Budget	Actual		Actual
Inspections:				
Salaries and employee benefits		\$ 120,954		\$ 142,222
Other operating expenditures		28,103		26,636
	<u>\$ 167,744</u>	<u>149,057</u>	<u>\$ 18,687</u>	<u>168,858</u>
Total public safety	<u>2,284,298</u>	<u>2,236,614</u>	<u>47,684</u>	<u>2,522,784</u>
Transportation:				
Garage:				
Salaries and employee benefits		52,764		58,565
Other operating expenditures		30,892		27,015
Capital outlay		-		-
	<u>90,512</u>	<u>83,656</u>	<u>6,856</u>	<u>85,580</u>
Public works:				
Salaries and employee benefits		244,782		398,535
Other operating expenditures		306,940		324,273
Capital outlay		63,740		144,190
	<u>857,326</u>	<u>615,462</u>	<u>241,864</u>	<u>866,998</u>
Airport:				
Other operating expenditures		73,747		73,038
Capital outlay		12,041		-
	<u>100,300</u>	<u>85,788</u>	<u>14,512</u>	<u>73,038</u>
Total transportation	<u>1,048,138</u>	<u>784,906</u>	<u>263,232</u>	<u>1,025,616</u>
Environmental protection:				
Sanitation:				
Other operating expenditures	<u>635,438</u>	<u>488,637</u>	<u>146,801</u>	<u>629,845</u>
Total environmental protection	<u>635,438</u>	<u>488,637</u>	<u>146,801</u>	<u>629,845</u>
Economic and physical development:				
Community development:				
Salaries and employee benefits		119,073		124,728
Other operating expenditures		37,960		50,313
	<u>163,127</u>	<u>157,033</u>	<u>6,094</u>	<u>175,041</u>
Total economic and physical development	<u>163,127</u>	<u>157,033</u>	<u>6,094</u>	<u>175,041</u>

**Town of Siler City, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017**

(5 pages)

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits		\$ 222,774		\$ 185,038
Other operating expenditures		233,645		208,174
Capital outlay		68,694		29,659
	<u>\$ 531,346</u>	<u>525,113</u>	<u>\$ 6,233</u>	<u>422,871</u>
Library:				
Other operating expenditures	20,720	10,660	10,060	11,180
Total cultural and recreational	<u>552,066</u>	<u>535,773</u>	<u>16,293</u>	<u>434,051</u>
Debt service:				
Principal		218,502		248,770
Interest		17,904		11,145
Total debt service	<u>343,731</u>	<u>236,406</u>	<u>107,325</u>	<u>259,915</u>
Total expenditures	<u>6,488,567</u>	<u>5,689,786</u>	<u>798,781</u>	<u>5,783,987</u>
Revenues over (under) expenditures	<u>(175,908)</u>	<u>844,889</u>	<u>1,020,797</u>	<u>646,877</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	6,804	6,804	100,000
Transfers to other funds	(484,200)	(247,233)	236,967	(573,401)
Capital lease obligations issued	-	177,091	177,091	268,216
Insurance recovery	8,489	11,139	2,650	12,090
Total other financing sources (uses)	<u>(475,711)</u>	<u>(52,199)</u>	<u>423,512</u>	<u>(193,095)</u>
Fund balance appropriated	<u>651,619</u>	-	<u>(651,619)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>792,690</u>	<u>\$ 792,690</u>	453,782
Fund balance, beginning		<u>4,148,580</u>		<u>3,694,798</u>
Fund balance, ending		<u>\$ 4,941,270</u>		<u>\$ 4,148,580</u>

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Aquatic Facility)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
State grant proceeds	\$ 480,035	\$ -	\$ 75,400	\$ 75,400	\$ (404,635)
Local grant proceeds	42,760	-	42,760	42,760	-
Total revenues	522,795	-	118,160	118,160	(404,635)
<b>Expenditures</b>					
Cultural and recreational					
Construction	\$ 1,002,830	\$ -	\$ 903,829	\$ 903,829	\$ 99,001
Revenues under expenditures	(480,035)	-	(785,669)	(785,669)	(305,634)
<b>Other financing sources</b>					
Transfers from:					
General fund	480,035	480,035	-	480,035	-
Revenues and other financing sources under expenditures	\$ -	\$ 480,035	(785,669)	\$ (305,634)	\$ (305,634)
Fund balance, beginning of year, July 1			480,035		
Fund deficit, end of year, June 30			\$ (305,634)		

**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

(2 pages)

	Capital Project Funds						
	Capital Reserve	NCDOT Safe Routes to School	ALP Update	Obstruction Removal	Greenway Construction	Parks Master Plan	Library Remodel
<b>ASSETS</b>							
Cash and investments	\$ 156,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Due from other funds	9,995	-	-	-	-	-	-
Total assets	<u>\$ 166,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	833	33,298	-	-	6,098	-	-
Total liabilities	<u>833</u>	<u>33,298</u>	<u>-</u>	<u>-</u>	<u>6,098</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:							
Unavailable revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):							
Restricted:							
Stabilization by State Statute	9,995	-	-	-	-	-	-
Committed:							
Capital projects	155,899	-	-	-	-	-	-
Assigned:							
Economic and physical development	-	(33,298)	-	-	(6,098)	-	-
Transportation	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>165,894</u>	<u>(33,298)</u>	<u>-</u>	<u>-</u>	<u>(6,098)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 166,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

(2 pages)

	<u>LDP Update</u>	<u>Airport Runway</u>	<u>Airport Precision API</u>	<u>Airfield Lighting</u>	<u>Land Acquisition (White Property)</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ 99,544	\$ 25,522	\$ 281,798
Due from other governments	-	-	-	1,999	7,019	9,018
Due from other funds	-	-	-	-	-	9,995
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,543</u>	<u>\$ 32,541</u>	<u>\$ 300,811</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,918	\$ 4,918
Due to other funds	-	9,426	-	-	-	49,655
Total liabilities	<u>-</u>	<u>9,426</u>	<u>-</u>	<u>-</u>	<u>4,918</u>	<u>54,573</u>
Deferred Inflows of Resources:						
Unavailable revenue	-	-	-	-	7,019	7,019
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,019</u>	<u>7,019</u>
Fund balances (deficits):						
Restricted:						
Stabilization by State Statute	-	-	-	-	-	9,995
Committed:						
Capital projects	-	-	-	-	-	155,899
Assigned:						
Economic and physical development	-	-	-	-	-	(39,396)
Transportation	-	(9,426)	-	101,543	20,604	112,721
Cultural and recreational	-	-	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>(9,426)</u>	<u>-</u>	<u>101,543</u>	<u>20,604</u>	<u>239,219</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,543</u>	<u>\$ 32,541</u>	<u>\$ 300,811</u>

**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)**  
**For the Year Ended June 30, 2018**

(2 pages)

	Capital Project Funds						
	Capital Reserve	NCDOT Safe Routes to School	ALP Update	Obstruction Removal	Greenway Construction	Parks Master Plan	Library Remodel
<b>Revenues</b>							
Restricted intergovernmental - grant proceeds	\$ -	\$ 7,471	\$ -	\$ 14,262	\$ -	\$ -	\$ -
Investment earnings	249	-	-	-	-	-	-
	<u>249</u>	<u>7,471</u>	<u>-</u>	<u>14,262</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>							
Transportation	-	-	-	15,847	-	-	-
Economic and physical development	-	7,471	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
	<u>-</u>	<u>7,471</u>	<u>-</u>	<u>15,847</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	249	-	-	(1,585)	-	-	-
<b>Other financing sources (uses)</b>							
Transfers from (to) other funds	57,000	-	(6,804)	7,285	-	10,500	24,900
Revenues and other sources over (under) expenditures and other sources (uses)	57,249	-	(6,804)	5,700	-	10,500	24,900
Fund balances (deficits), beginning of year, July 1	108,645	(33,298)	6,804	(5,700)	(6,098)	(10,500)	(24,900)
Fund balances (deficits), end of year, June 30	<u>\$ 165,894</u>	<u>\$ (33,298)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,098)</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)**  
**For the Year Ended June 30, 2018**

(2 pages)

	<b>Capital Project Funds</b>					<b>Total Non-Major Governmental Funds</b>
	<b>LDP Update</b>	<b>Airport Runway</b>	<b>Airport Precision API</b>	<b>Airfield Lighting</b>	<b>Land Acquisition (White Property)</b>	
<b>Revenues</b>						
Restricted intergovernmental - grant proceeds	\$ -	\$ -	\$ 21,872	\$ 33,039	\$ -	\$ 76,644
Investment earnings	-	-	-	-	-	249
	<u>-</u>	<u>-</u>	<u>21,872</u>	<u>33,039</u>	<u>-</u>	<u>76,893</u>
<b>Expenditures</b>						
Transportation	-	-	14,970	29,904	7,799	68,520
Economic and physical development	-	-	-	-	-	7,471
Cultural and recreational	10,983	-	-	-	-	10,983
	<u>10,983</u>	<u>-</u>	<u>14,970</u>	<u>29,904</u>	<u>7,799</u>	<u>86,974</u>
Revenues over (under) expenditures	(10,983)	-	6,902	3,135	(7,799)	(10,081)
<b>Other financing sources (uses)</b>						
Transfers from (to) other funds	311	-	18,464	100,370	28,403	240,429
Revenues and other sources over (under) expenditures and other sources (uses)	(10,672)	-	25,366	103,505	20,604	230,348
Fund balances (deficits), beginning of year, July 1	10,672	(9,426)	(25,366)	(1,962)	-	8,871
Fund balances (deficits), end of year, June 30	<u>\$ -</u>	<u>\$ (9,426)</u>	<u>\$ -</u>	<u>\$ 101,543</u>	<u>\$ 20,604</u>	<u>\$ 239,219</u>

**Town of Siler City, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 317,000	\$ 458,631	\$ 249	\$ 458,880	\$ 141,880
<b>Other financing sources (uses)</b>					
Transfers from:					
General fund	1,206,175	926,093	-	926,093	(280,082)
Water and sewer fund	59,000	-	-	-	(59,000)
Transfer to:					
General fund	(1,384,850)	(966,648)	-	(966,648)	418,202
Capital project funds	(197,325)	(309,431)	57,000	(252,431)	(55,106)
Total other financing sources (uses)	(317,000)	(349,986)	57,000	(292,986)	24,014
Revenues and other sources over expenditures and other uses	\$ -	\$ 108,645	57,249	\$ 165,894	\$ 165,894
Fund balance, beginning of year, July 1			108,645		
Fund balance, end of year, June 30			\$ 165,894		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (NCDOT Safe Routes to School)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted intergovernmental:					
Local grant proceeds - Public Health	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Local grant proceeds - County Schools	10,000	10,000	-	10,000	-
Federal grant proceeds	<u>1,000,000</u>	<u>453,379</u>	<u>7,471</u>	<u>460,850</u>	<u>(539,150)</u>
Total revenues	<u>1,020,000</u>	<u>473,379</u>	<u>7,471</u>	<u>480,850</u>	<u>(539,150)</u>
<b>Expenditures</b>					
Economic and physical development:					
Engineering and design	49,600	159,231	-	159,231	(109,631)
Construction	<u>1,000,000</u>	<u>347,446</u>	<u>7,471</u>	<u>354,917</u>	<u>645,083</u>
	<u>1,049,600</u>	<u>506,677</u>	<u>7,471</u>	<u>514,148</u>	<u>535,452</u>
Revenues under expenditures	(29,600)	(33,298)	-	(33,298)	(3,698)
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>29,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,600)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (33,298)</u>	<u>-</u>	<u>\$ (33,298)</u>	<u>\$ (33,298)</u>
Fund deficit, beginning of year, July 1			<u>(33,298)</u>		
Fund deficit, end of year, June 30			<u>\$ (33,298)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (ALP Update)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 176,976	\$ 176,976	\$ -	\$ 176,976	\$ -
<b>Expenditures</b>					
Transportation:					
Engineering and design	185,708	185,708	-	185,708	-
Other services	10,932	10,932	-	10,932	-
	<u>196,640</u>	<u>196,640</u>	<u>-</u>	<u>196,640</u>	<u>-</u>
Revenues under expenditures	(19,664)	(19,664)	-	(19,664)	-
<b>Other financing sources (uses)</b>					
Transfers to:					
General fund	(6,804)	-	(6,804)	(6,804)	-
Transfers from:					
General fund	26,468	26,468	-	26,468	-
	<u>19,664</u>	<u>26,468</u>	<u>(6,804)</u>	<u>19,664</u>	<u>-</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 6,804</u>	<u>(6,804)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>6,804</u>		
Fund balance, end of year, June 30			<u>\$ -</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Obstruction Removal)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 128,278	\$ 113,034	\$ 14,262	\$ 127,296	\$ (982)
<b>Expenditures</b>					
Transportation:					
Engineering and design	<u>142,531</u>	<u>125,593</u>	<u>15,847</u>	<u>141,440</u>	<u>1,091</u>
Revenues under expenditures	(14,253)	(12,559)	(1,585)	(14,144)	109
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>14,253</u>	<u>6,859</u>	<u>7,285</u>	<u>14,144</u>	<u>(109)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (5,700)</u>	5,700	<u>\$ -</u>	<u>\$ -</u>
Fund deficit, beginning of year, July 1			<u>(5,700)</u>		
Fund deficit, end of year, June 30			<u>\$ -</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Greenway Construction)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 950,000	\$ 922,454	\$ -	\$ 922,454	\$ (27,546)
<b>Expenditures</b>					
Cultural and recreational:					
Construction	<u>950,000</u>	<u>928,552</u>	<u>-</u>	<u>928,552</u>	<u>21,448</u>
Revenues under					
expenditures	<u>\$ -</u>	<u>\$ (6,098)</u>	<u>-</u>	<u>\$ (6,098)</u>	<u>\$ (6,098)</u>
Fund deficit, beginning					
of year, July 1			<u>(6,098)</u>		
Fund deficit, end of					
year, June 30			<u>\$ (6,098)</u>		



**Town of Siler City, North Carolina**  
**Capital Projects Fund (Parks Master Plan)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted					
intergovernmental:					
Local grant proceeds	\$ 17,546	\$ -	\$ -	\$ -	\$ (17,546)
<b>Expenditures</b>					
Cultural and recreational:					
Engineering and design	80,000	78,500	-	78,500	1,500
Revenues under expenditures	(62,454)	(78,500)	-	(78,500)	(16,046)
<b>Other financing sources</b>					
Transfers from:					
General fund	62,454	68,000	10,500	78,500	16,046
Revenues and other sources over (under) expenditures	\$ -	\$ (10,500)	10,500	\$ -	\$ -
Fund deficit, beginning of year, July 1			(10,500)		
Fund deficit, end of year, June 30			\$ -		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Library Remodel)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Expenditures</b>					
Cultural and recreational:					
Construction	\$ 137,700	\$ 137,417	\$ -	\$ 137,417	\$ 283
<b>Other financing sources</b>					
Transfers from:					
General fund	24,900	-	24,900	24,900	-
Capital reserve fund	112,800	112,517	-	112,517	(283)
	<u>137,700</u>	<u>112,517</u>	<u>24,900</u>	<u>137,417</u>	<u>(283)</u>
Other financing sources under expenditures	<u>\$ -</u>	<u>\$ (24,900)</u>	24,900	<u>\$ -</u>	<u>\$ -</u>
Fund deficit, beginning of year, July 1			<u>(24,900)</u>		
Fund deficit, end of year, June 30			<u>\$ -</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (LDP Update)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Expenditures</b>					
Cultural and recreational					
Engineering and design	\$ 11,000	\$ 328	\$ 10,983	\$ 11,311	\$ (311)
<b>Other financing sources</b>					
Transfers from:					
General fund	11,000	11,000	311	11,311	311
Other financing sources over (under) expenditures	\$ -	\$ 10,672	(10,672)	\$ -	\$ -
Fund balance, beginning of year, July 1			10,672		
Fund balance, end of year, June 30			\$ -		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airport Runway)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted					
intergovernmental:					
State grant proceeds	\$ 2,453,191	\$ 2,453,064	\$ -	\$ 2,453,064	\$ (127)
Local grant proceeds	160,346	160,346	-	160,346	-
Total revenues	2,613,537	2,613,410	-	2,613,410	(127)
<b>Expenditures</b>					
Transportation:					
Construction	2,725,768	2,725,758	-	2,725,758	10
Revenues under expenditures	(112,231)	(112,348)	-	(112,348)	(117)
<b>Other financing sources</b>					
Transfers from:					
General fund	112,231	102,922	-	102,922	(9,309)
Revenues and other financing sources under expenditures	\$ -	\$ (9,426)	-	\$ (9,426)	\$ (9,426)
Fund deficit beginning of year, July 1			(9,426)		
Fund deficit, end of year, June 30			\$ (9,426)		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airport Precision API)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted					
intergovernmental:					
Federal grant proceeds	\$ 186,129	\$ 169,842	\$ 21,872	\$ 191,714	\$ 5,585
<b>Expenditures</b>					
Transportation:					
Engineering and design	219,019	195,208	14,970	210,178	8,841
Revenues under expenditures	(32,890)	(25,366)	6,902	(18,464)	14,426
<b>Other financing sources</b>					
Transfers from:					
General fund	32,890	-	18,464	18,464	(14,426)
Revenues and other financing sources under expenditures	\$ -	\$ (25,366)	25,366	\$ -	\$ -
Fund deficit, beginning of year, July 1			(25,366)		
Fund deficit, end of year, June 30			\$ -		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airfield Lighting)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 1,005,176	\$ 57,357	\$ 33,039	\$ 90,396	\$ (914,780)
<b>Expenditures</b>					
Transportation:					
Engineering and design	<u>1,116,863</u>	<u>70,636</u>	<u>29,904</u>	<u>100,540</u>	<u>1,016,323</u>
Revenues over (under) expenditures	(111,687)	(13,279)	3,135	(10,144)	101,543
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>111,687</u>	<u>11,317</u>	<u>100,370</u>	<u>111,687</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (1,962)</u>	103,505	<u>\$ 101,543</u>	<u>\$ 101,543</u>
Fund deficit, beginning of year, July 1			<u>(1,962)</u>		
Fund deficit, end of year, June 30			<u>\$ 101,543</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Land Acquisition - White Property)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 255,624	\$ -	\$ -	\$ -	\$ (255,624)
<b>Expenditures</b>					
Transportation:					
Administration	\$ 263,674	\$ -	\$ 7,799	\$ 7,799	\$ 255,875
Engineering and design	20,353	-	-	-	20,353
	<u>284,027</u>	<u>-</u>	<u>7,799</u>	<u>7,799</u>	<u>276,228</u>
Revenues under expenditures	(28,403)	-	(7,799)	(7,799)	20,604
<b>Other financing sources</b>					
Transfers from:					
General fund	28,403	-	28,403	28,403	-
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	20,604	<u>\$ 20,604</u>	<u>\$ 20,604</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 20,604</u>		

**Town of Siler City, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2017**

**(3 pages)**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues:				
Water sales	\$ 2,992,624	\$ 3,250,322	\$ 257,698	\$ 3,285,246
Sewer sales	1,801,000	1,795,485	(5,515)	1,804,246
Water and sewer taps	3,500	3,600	100	3,909
Reconnection fees	90,000	94,970	4,970	97,140
Water meter installation	4,000	753	(3,247)	5,200
Other operating revenue	17,400	83,649	66,249	7,828
Total operating revenues	<u>4,908,524</u>	<u>5,228,779</u>	<u>320,255</u>	5,203,569
Nonoperating revenues:				
Interest earned on investments	<u>3,000</u>	<u>12,014</u>	<u>9,014</u>	6,669
Total revenues	<u>4,911,524</u>	<u>5,240,793</u>	<u>329,269</u>	5,210,238
<b>Expenditures</b>				
Administration:				
Salaries and employee benefits		235,674		252,619
Other operating expenditures		72,531		78,050
	<u>333,843</u>	<u>308,205</u>	<u>25,638</u>	330,669
Water operations:				
Salaries and employee benefits		269,789		279,004
Other operating expenditures		864,014		793,141
Capital outlay		13,796		76,425
	<u>1,181,172</u>	<u>1,147,599</u>	<u>33,573</u>	1,148,570
Sewer operations:				
Salaries and employee benefits		327,047		415,322
Other operating expenditures		905,513		866,443
Capital outlay		63,583		137,746
	<u>1,328,709</u>	<u>1,296,143</u>	<u>32,566</u>	1,419,511
Water and sewer maintenance:				
Salaries and employee benefits		294,779		269,506
Other operating expenditures		176,638		148,463
Capital outlay		113,562		152,414
	<u>582,415</u>	<u>584,979</u>	<u>(2,564)</u>	570,383
Risk management:				
Other operating expenditures	<u>310,970</u>	<u>242,334</u>	<u>68,636</u>	104,561



**Town of Siler City, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2017**

**(3 pages)**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
Debt service:				
Interest and fees		\$ 280,477		\$ 320,477
Debt principal		842,000		800,345
Lease obligation payments		67,537		45,878
	<u>\$ 1,174,415</u>	<u>1,190,014</u>	<u>\$ (15,599)</u>	<u>1,166,700</u>
Total expenditures	<u>4,911,524</u>	<u>4,769,274</u>	<u>142,250</u>	<u>4,740,394</u>
Revenues over expenditures	<u>-</u>	<u>471,519</u>	<u>471,519</u>	<u>469,844</u>
<b>Other financing sources (uses)</b>				
Transfers to capital project funds	(46,700)	(46,700)	-	-
Proceeds from issuance of capital lease obligations	-	82,897	82,897	120,584
	<u>(46,700)</u>	<u>36,197</u>	<u>82,897</u>	<u>120,584</u>
Total other financing sources (uses)	<u>(46,700)</u>	<u>36,197</u>	<u>82,897</u>	<u>120,584</u>
Revenues and other sources over expenditures and other uses	<u>(46,700)</u>	<u>507,716</u>	<u>554,416</u>	<u>590,428</u>
Fund balance appropriated	<u>46,700</u>	<u>-</u>	<u>(46,700)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>507,716</u>	<u>\$ 507,716</u>	<u>\$ 590,428</u>

**Town of Siler City, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2017**

---

**(3 pages)**

**Reconciliation of modified accrual basis to full accrual basis:**

Net change in fund balance	\$ 507,716
Net payments of long-term debt principal	842,000
Payment of capital lease obligation	67,537
Issuance of capital lease obligation	(82,897)
Grant revenue from Water and Sewer Capital Projects Funds	109,276
Capital outlay	190,941
Depreciation	(1,019,848)
Increase in accrued vacation pay	(4,877)
Increase in unavailable grant revenue	237,380
Decrease in net pension liability	82,845
Decrease in deferred outflows of resources - pensions	(90,939)
Decrease in deferred inflows of resources - pensions	5,330
Decrease in total OPEB liability	11,316
Increase in deferred outflows of resources - OPEB	5,075
Increase in deferred inflows of resources - OPEB	(18,174)
Increase in interest expense accrual	(17,740)
Transfer to Water and Sewer Capital Projects Funds	<u>46,700</u>
Change in net position	<u><u>\$ 871,641</u></u>

**Town of Siler City, North Carolina**  
**Water and Sewer Capital Reserve Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>					
Investment earnings	\$ 204,000	\$ 197,572	\$ -	\$ 197,572	\$ (6,428)
<b>Other financing sources (uses)</b>					
Transfers from:					
Water & Sewer Fund	1,560,000	1,443,799	-	1,443,799	(116,201)
Transfers to:					
Water & Sewer Capital Projects Fund	(1,164,000)	(1,163,427)	-	(1,163,427)	573
Water & Sewer Fund Debt Service	(600,000)	(477,111)	-	(477,111)	122,889
Total other financing sources (uses)	(204,000)	(196,739)	-	(196,739)	7,261
Revenues and other financing sources over other uses	<u>\$ -</u>	<u>\$ 833</u>	-	<u>\$ 833</u>	<u>\$ 833</u>
Fund balance, beginning of year, July 1			<u>833</u>		
Fund balance, end of year, June 30			<u>\$ 833</u>		

**Town of Siler City, North Carolina**  
**Capital Project Fund (Wastewater Collection System Improvements)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 2,000,000	\$ -	\$ 109,276	\$ 109,276	\$ (1,890,724)
<b>Expenditures</b>					
Water and sewer:					
Construction	1,540,000	-	-	-	1,540,000
Engineering and design	203,000	-	87,666	87,666	115,334
Administration	247,000	-	21,830	21,830	225,170
Legal	10,000	-	-	-	10,000
	<u>2,000,000</u>	<u>-</u>	<u>109,496</u>	<u>109,496</u>	<u>1,890,504</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(220)</u>	<u>\$ 109,276</u>	<u>\$ (220)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund deficit, end of year, June 30			<u>\$ (220)</u>		

**Town of Siler City, North Carolina**  
**Capital Project Fund (CAM Water System Extension)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted intergovernmental:					
State grant proceeds	\$ 4,000,000	\$ -	\$ -	\$ -	\$ (4,000,000)
<b>Expenditures</b>					
Water and sewer:					
Construction	3,454,000	-	162,435	162,435	3,291,565
Administration - observation	140,000	-	25,200	25,200	114,800
Bid award - permits	20,000	-	20,585	20,585	(585)
Testing	28,000	-	-	-	28,000
Legal & administrative	50,000	-	-	-	50,000
Contingency	308,000	-	-	-	308,000
	4,000,000	-	208,220	208,220	3,791,780
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(208,220)	<u>\$ -</u>	<u>\$ (208,220)</u>
Fund balance, beginning of year, July 1			-		
Fund deficit, end of year, June 30			<u>\$ (208,220)</u>		

**Town of Siler City, North Carolina**  
**Capital Project Fund (Water Treatment Plant Improvements)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
Restricted intergovernmental:					
State grant proceeds	\$ 2,352,513	\$ -	\$ -	\$ -	\$ (2,352,513)
<b>Expenditures</b>					
Water and sewer:					
Administration	20,000	-	-	-	20,000
Engineering and design	470,000	-	75,860	75,860	394,140
Construction	3,800,000	-	-	-	3,800,000
Loan and grant closing fee	81,725	-	-	-	81,725
Contingency	380,000	-	-	-	380,000
Total expenditures	4,751,725	-	75,860	75,860	4,675,865
Revenues under expenditures	(2,399,212)	-	(75,860)	(75,860)	2,323,352
<b>Other financing sources</b>					
Transfers from Water and Sewer Fund	46,700	-	46,700	46,700	-
Proceeds from installment purchases	2,352,512	-	-	-	(2,352,512)
Total other financing sources	2,399,212	-	46,700	46,700	(2,352,512)
Revenues and other financing sources under expenditures	\$ -	\$ -	(29,160)	\$ (29,160)	\$ (29,160)
Fund balance, beginning of year, July 1			-		
Fund deficit, end of year, June 30			\$ (29,160)		

**Town of Siler City, North Carolina**  
**License Plate Agency**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2018**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2017**

	2018		Variance Favorable (Unfavorable)	2017
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues:				
License plate agency fees	\$ 95,000	\$ 113,781	\$ 18,781	\$ 108,277
Notary fees	33,000	41,481	8,481	35,773
Other operating revenues	3,500	3,679	179	4,284
Total revenues	<u>131,500</u>	<u>158,941</u>	<u>27,441</u>	<u>148,334</u>
<b>Expenditures</b>				
Operating expenditures:				
Salaries and employee benefits		119,904		157,206
Other operating expenditures		5,761		3,593
Total expenditures	<u>131,500</u>	<u>125,665</u>	<u>5,835</u>	<u>160,799</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>33,276</u>	<u>\$ 33,276</u>	<u>\$ (12,465)</u>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>				
Increase in accrued vacation pay		(1,201)		
Depreciation		(1,199)		
Decrease in net pension liability		7,139		
Decrease in deferred outflows of resources - pensions		(7,769)		
Decrease in deferred inflows of resources - pensions		453		
Decrease in total OPEB liability		596		
Increase in deferred inflows of resources - OPEB		(957)		
Change in net position		<u>\$ 30,338</u>		

**This Page Left Blank Intentionally**



***Supplementary Financial Data***

**This Page Left Blank Intentionally**

**Town of Siler City, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2018**

	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 2,143,469	\$ 2,073,269	\$ 70,200
2016-2017	38,205	-	25,952	12,253
2015-2016	13,509	-	7,516	5,993
2014-2015	8,795	-	3,624	5,171
2013-2014	9,652	-	1,862	7,790
2012-2013	8,839	-	1,598	7,241
2011-2012	10,092	-	1,143	8,949
2010-2011	7,369	-	1,198	6,171
2009-2010	5,434	-	813	4,621
2008-2009	7,509	-	158	7,351
2007-2008	80,455	-	80,455	-
	<u>\$ 189,859</u>	<u>\$ 2,143,469</u>	<u>\$ 2,197,588</u>	135,740
Less allowance for uncollected taxes receivable General fund				<u>(41,000)</u>
Ad valorem taxes receivable, net				<u>\$ 94,740</u>
<b>Reconciliation with revenue:</b>				
Taxes				\$ 2,101,676
Penalties and interest				14,859
Taxes written off				80,455
Other adjustments				<u>598</u>
Total collections and credits				<u>\$ 2,197,588</u>

**Town of Siler City, North Carolina**  
**Analysis of Current Tax Levy**  
**For the 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 year's rate	\$ 424,152,157	\$ 0.51	\$ 2,163,176	\$ 1,941,772	\$ 221,404
Motor vehicles taxed at prior year's rate	-	0.51	-	-	-
	424,152,157		2,163,176	1,941,772	221,404
Discoveries:					
Adjustments at current year's rate	444,118	0.51	2,265	2,265	-
	424,596,275		2,165,441	1,944,037	221,404
Abatements:					
Current year's rate	(4,308,235)	0.51	(21,972)	(17,678)	(4,294)
Total property valuation	<u>\$ 420,288,039</u>				
Net levy			2,143,469	1,926,359	217,110
Uncollected taxes at June 30, 2018			(70,200)	(70,022)	(178)
Current year's taxes collected			<u>\$ 2,073,269</u>	<u>\$ 1,856,337</u>	<u>\$ 216,932</u>
Percent of current year taxes collected			<u>96.72%</u>	<u>96.37%</u>	<u>99.92%</u>

## ***Compliance Section***

**This Page Left Blank Intentionally**

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Town Commissioners  
Siler City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Siler City, North Carolina ("Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated June 7, 2019. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Town of Siler City ABC Board, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government Auditing Standards*.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the 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.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 as items 2018-001 and 2018-002 to be material weaknesses. 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'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 is described in the accompany schedule of findings and responses as item 2018-003.

***Town's Response to Findings***

The Town's response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
June 7, 2019**



## **Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act**

Honorable Mayor and  
Town Commissioners  
Siler City, North Carolina

### ***Report on Compliance for the Major State Program***

We have audited the Town of Siler City, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2018. The Town of Siler City's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion on the Major State Program***

In our opinion, the Town of Siler City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

***Report on Internal Control over Compliance***

Management of the Town of Siler City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Siler City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Siler City's internal control over compliance.

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

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

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

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
June 7, 2019**

## Schedule of Findings and Questioned Costs

### I. Summary of Auditors' Results

#### *Financial Statements*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?   X   Yes        No
- Significant deficiencies identified that are not considered to be material weaknesses        Yes   X   None reported

Noncompliance material to financial statements noted?

  X   Yes        No

#### *State Awards*

Internal control over major state programs:

- Material weaknesses identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses        Yes   X   None reported
- Noncompliance material to state award        Yes   X   No

Type of auditors' report issued on compliance for major state program:

Unmodified

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

       Yes   X   No

Identification of major state program:

Parks and Recreation Trust Fund ("PARTF")

## **II. Financial Statement Findings**

### ***Finding 2018-001: Financial Accounting Closing Procedures***

#### **Material Weakness**

*Criteria:* Certain accounts were not properly reconciled and adjusted as of June 30.

*Condition:* Reconciliations of certain accounts receivable, accounts payable, grant revenue and capital outlay accounts were not being performed and reviewed in a timely manner in the capital projects funds.

*Cause:* The Town did not follow proper review and reconciliation processes for capital project fund expenditures that had been incurred, along with the related grant proceeds.

*Effect:* The initial failure to record various capital project expenditures resulted in material adjusting journal entries during the audit process.

*Recommendation:* We recommend the Town establish more effective review procedures surrounding the account reconciliation policies and procedures, including the review of reconciliations of all accounts on a routine basis, whether monthly, quarterly or annually, based on the specific accounts and the nature of activity during the year. Certain areas where we noted the need for more effective review and reconciliation policies and procedures include the following balance sheet accounts:

- Capital outlays
- Accounts receivable
- Accounts payable
- Deferred revenues
- Grant revenues

*View of responsible official and planned corrective action:* The Town agrees with this finding. Please refer to the corrective action plan on page 108.

### ***Finding 2018-002: Segregation of Duties***

#### **Material Weakness**

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

*Condition:* Certain accounting processes are performed without a proper level of review.

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

*Effect:* Transactions could be mishandled.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2017-001.

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

**Town of Siler City, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2018**

---

*View of responsible official and planned corrective action:* The Town agrees with this finding. Please refer to the corrective action plan on page 108.

***Finding 2018-003: Deficit in Fund Balance of Individual Funds***

*Criteria:* Adequate resources must be available for fund operations.

*Condition:* There are deficits in fund balances in several capital projects funds as of June 30, 2018, including the NCDOT Safe Routes to School, Greenway Construction, Airport Runway, Aquatic Facility, Wastewater Collection System Improvements, CAM Water System Extension, and Water Treatment Plant Improvements Capital Projects Funds of \$33,298, \$6,098, \$9,426, \$305,634, \$220, \$208,220, and \$29,160, respectively.

*Cause:* The deficits in the Aquatic Facility, CAM Water System Extension, and Water Treatment Plant Improvements Capital Projects Funds are due to timing only, as the respective grant revenues were not considered to be available as of June 30, 2018, and therefore are presented as deferred revenues. However, the remaining deficits are a result of the Town not transferring over funds from the General Fund or Water and Sewer Fund to cover the Town's obligation under these projects.

*Effect:* The capital project funds did not have sufficient assets to pay their liabilities at June 30, 2018.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2017-002.

*Recommendation:* We recommend that management transfer funds from the General Fund to the capital project funds to cover the deficits.

*View of responsible official and planned corrective action:* The Town agrees with this finding. Please refer to the corrective action plan on page 108.

**III. State Award Findings and Questioned Costs**

There were no findings related to state awards for the fiscal year ended June 30, 2018.



## Town of Siler City

### CORRECTIVE ACTION PLAN

#### **Financial Statement Findings**

***Finding: 2018-001***

*Name of contact person:* Roy Lynch, Finance Director

*Corrective action:* The Town will implement processes during the fiscal year to ensure a timelier, progressive approach is taken for reconciliation and review of capital project liabilities, revenues and long-term debt.

*Proposed completion date:* 06/30/2019.

***Finding: 2018-002***

*Name of contact person:* Roy Lynch, Finance Director

*Corrective action:* The Town has reviewed the State Treasurer's Memo 2015-15 "Internal Controls for a Small Unit of Government," and is in the process of transitioning responsibilities within the finance department to ensure segregation of duties is improved.

*Proposed completion date:* 06/30/2019.

***Finding: 2018-003***

*Name of contact person:* Roy Lynch, Finance Director

*Corrective action:* The Town will transfer monies from the General Fund to the Capital Project Funds to cover the fund deficits in the future.

*Proposed completion date:* 06/30/2019.



## Town of Siler City

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***Finding 2017-001: Segregation of Duties***

Finding 2017-001 repeated as Finding 2018-002.

***Finding 2017-002: Deficit in Fund Balance of Individual Funds***

Finding 2017-002 repeated as Finding 2018-003.