



# Town of Siler City, North Carolina

**Financial Statements**

**Year Ended June 30, 2020**

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

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

### **Governing Board**

Cindy Bray, Mayor Pro Tem  
Curtis Brown  
Tony Siler  
Bill Haiges  
Norma Boone  
Thomas K. Price, III  
Lewis Fadely

### **Town Officials**

Roy Lynch, Town Manager  
Tina Stroupe, Finance Officer

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# Independent Auditors' Report

To the Honorable Mayor and  
Town Commissioners  
Siler City, NC

## 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *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, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 56, the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 57, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on page 58 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 October 15, 2021 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, NC  
October 15, 2021

## **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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

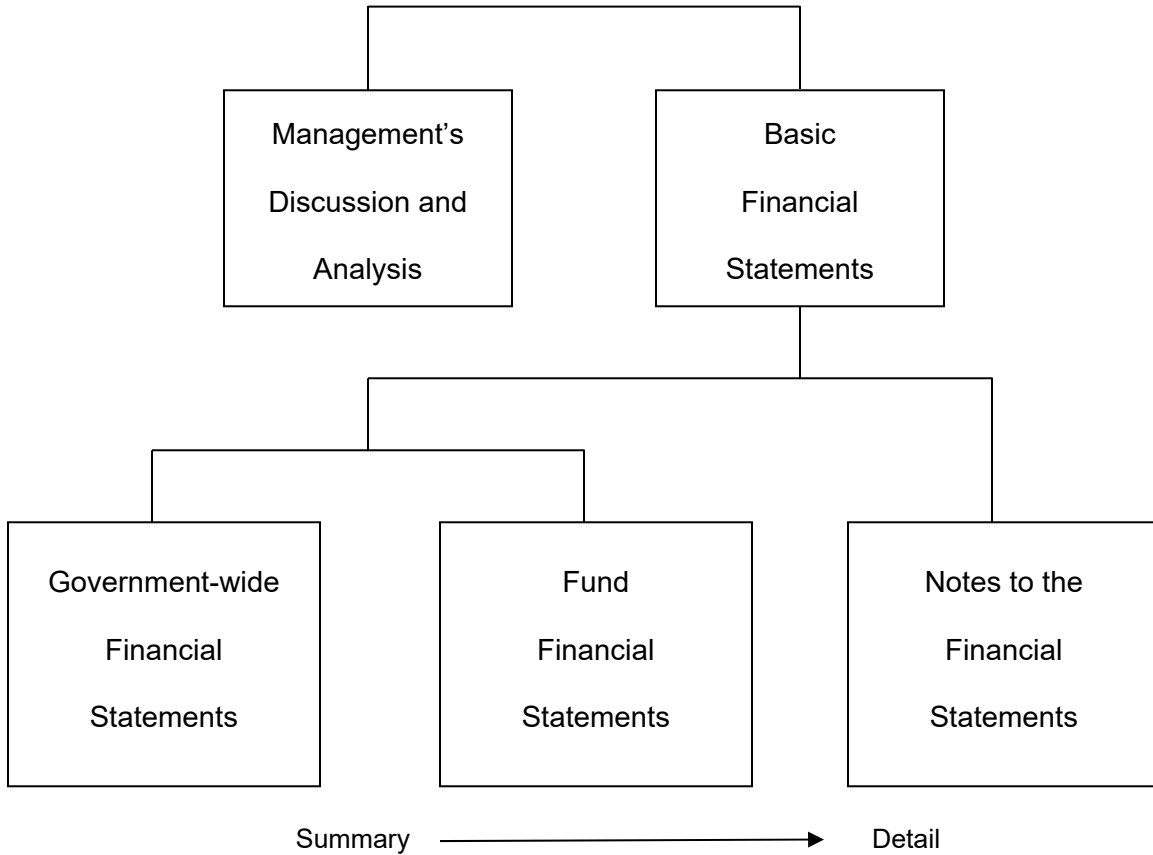
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$44,309,213 (*net position*).
- The government's total net position increased by \$5,303,135 which was the overall outcome as a result of the governmental activities' change in net position of \$964,385 plus the business-type activities' change in net position of \$4,338,750. Unrestricted intergovernmental revenues continue to grow with an increase of \$168,805 over the prior year. Property tax revenue reflected an increase of \$337,481. In the proprietary funds, charges for services exceeded total expenditures by \$2,087,822.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,354,153, an increase of \$325,768 in comparison with the prior year. Approximately 54.6 percent of the total fund balance, or \$3,466,707, is available for spending at the government's discretion (*unassigned fund balance*).
- The unassigned fund balance for the General Fund, \$3,466,707 represents 44.3 percent of total general fund expenditures for the fiscal year.
- The Town's total long-term liabilities decreased by \$935,967 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

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### ***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 56 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**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 6,840,622	\$ 6,774,166	\$ 7,124,140	\$ 5,568,740	\$ 13,964,762	\$ 12,342,906
Capital assets	13,556,403	12,755,258	29,693,114	27,887,308	43,249,517	40,642,566
Deferred outflows of resources	583,739	694,277	315,368	323,198	899,107	1,017,475
Total assets and deferred outflows of resources	20,980,764	20,223,701	37,132,622	33,779,246	58,113,386	54,002,947
Long-term liabilities outstanding	3,534,316	3,695,381	8,995,266	9,770,168	12,529,582	13,465,549
Other liabilities	374,830	543,852	579,727	810,758	954,557	1,354,610
Deferred inflows of resources	256,231	133,466	63,803	43,244	320,034	176,710
Total liabilities and deferred inflows of resources	4,165,377	54,372,699	9,638,796	10,624,170	13,804,173	14,996,869
Net position:						
Net investment in capital assets	12,543,897	11,707,775	21,580,473	18,899,914	34,124,370	30,607,689
Restricted	1,886,034	2,259,528	-	-	1,886,034	2,259,528
Unrestricted	2,385,456	1,883,699	5,913,353	4,255,162	8,298,809	6,138,861
Total net position, ending	\$ 16,815,387	\$ 15,851,002	\$ 27,493,826	\$ 23,155,076	\$ 44,309,213	\$ 39,006,078

**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 \$44,309,213 as of June 30, 2020. The Town's net position increased by \$5,303,135 for the fiscal year ended June 30, 2020. The largest portion (77.0%) 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, \$1,886,034, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,298,809 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:

- Effective analysis of budgeted expenditures on a monthly basis to ensure a sound financial condition.
- Additional measures taken to evaluate purchasing and spending practices while providing the same level of service.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 724,347	\$ 884,815	\$ 8,624,761	\$ 6,706,801	\$ 9,349,108	\$ 7,591,616
Operating grants and contributions	794,857	800,175	-	-	794,857	800,175
Capital grants and contributions	676,905	984,776	2,235,730	3,674,284	2,912,635	4,659,060
General revenues:						
Property taxes	2,856,231	2,518,750	-	-	2,856,231	2,518,750
Other taxes	1,772	1,428	-	-	1,772	1,428
Unrestricted						
Intergovernmental	3,120,821	2,952,016	-	-	3,120,821	2,952,016
Other	225,736	240,541	15,198	18,434	240,934	258,975
Total revenues	<u>8,400,669</u>	<u>8,382,501</u>	<u>10,875,689</u>	<u>10,399,519</u>	<u>19,276,358</u>	<u>18,782,020</u>
Expenses:						
General government	1,791,719	1,406,437	-	-	1,791,719	1,406,437
Public safety	2,804,777	2,562,783	-	-	2,804,777	2,562,783
Transportation	1,299,551	1,146,512	-	-	1,299,551	1,146,512
Environmental protection	587,615	485,905	-	-	587,615	485,905
Economic development	189,496	178,468	-	-	189,496	178,468
Cultural and recreational	763,126	716,960	-	-	763,126	716,960
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	6,385,904	5,320,743	6,385,904	5,320,743
License plate agency	-	-	151,035	129,160	151,035	129,160
Total expenses	<u>7,436,284</u>	<u>6,497,065</u>	<u>6,536,939</u>	<u>5,449,903</u>	<u>13,973,223</u>	<u>11,946,968</u>

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

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Increase in net position before transfers	\$ 964,385	\$ 1,885,436	\$ 4,338,750	\$ 4,949,616	\$ 5,303,135	\$ 6,835,052
Transfers	-	-	-	-	-	-
Increase in net position	964,385	1,885,436	4,338,750	4,949,616	5,303,135	6,835,052
Net position, beginning	15,851,002	13,965,566	23,155,076	18,205,460	39,006,078	32,171,026
Net position, end of year	\$ 16,815,387	\$ 15,851,002	\$ 27,493,826	\$ 23,155,076	\$ 44,309,213	\$ 39,006,078

**Governmental activities.** Governmental activities increased the Town's net position by \$964,385. The business-type activities showed an increase of \$4,338,750. The increase in governmental activities net position compared to the prior year in both types of activities was due to managements' decision to effectively operate within the constraints of the current year's budget.

***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 \$3,446,707 while total fund balance was \$5,686,744. 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 44.0% of total General Fund expenditures.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$6,354,153, a 5.4% 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 \$465,651 and expenditures from the original budget by \$506,295. Fund balance appropriated was decreased by \$101,710 to account for expected transfers by the General Fund for the Town Hall project and various other capital projects.

**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 \$5,913,353. There was a total increase in net position for the combined funds of \$4,338,750. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

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

**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, 2020, totals \$34,124,370 (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 library, water treatment plant, wastewater treatment plant, plus continued improvements to Siler City Municipal Airport and other facilities. In addition, there replacement of fleet vehicles and general equipment upgrades.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 779,838	\$ 779,838	\$ 4,934,473	\$ 4,934,473	\$ 5,714,311	\$ 5,714,311
Construction in process	7,675,057	6,755,548	6,293,480	4,032,662	13,968,537	10,788,210
Buildings and systems	873,697	944,744	1,785,082	1,879,203	2,658,779	2,823,947
Improvements other than buildings	1,303,045	1,348,536	15,790,208	16,556,387	17,093,253	17,904,923
Machinery and equipment	1,709,985	1,637,411	889,871	484,583	2,599,856	2,121,994
Infrastructure	252,119	269,799	-	-	252,119	269,799
Vehicles and motorized equipment	962,662	1,019,382	-	-	962,662	1,019,382
<b>Total</b>	<b>\$ 13,556,403</b>	<b>\$ 12,755,258</b>	<b>\$ 29,693,114</b>	<b>\$ 27,887,308</b>	<b>\$ 43,249,517</b>	<b>\$ 40,642,566</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, 2020, the Town had total outstanding debt, exclusive of compensated absences, pension liabilities and other post-employment benefit liabilities of \$9,125,147. Of this debt, \$8,036,675 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	
	2020	2019	2020	2019	2020	2019
Notes	\$ -	\$ -	\$ 8,036,675	\$ 8,918,655	\$ 8,036,675	\$ 8,915,655
Capitalized leases	384,464	326,934	75,966	68,739	460,430	395,673
Installment purchases	628,042	720,549	-	-	628,042	720,549
<b>Total</b>	<b>\$ 1,012,506</b>	<b>\$ 1,047,483</b>	<b>\$ 8,112,641</b>	<b>\$ 8,987,394</b>	<b>\$ 9,125,147</b>	<b>\$ 10,031,877</b>

The Town's total debt decreased by \$906,730 (9.0%) during the past fiscal year primarily due to two loan payments for the reservoir expansion project totaling \$888,000. The Town's total debt payments for the year were \$1,309,730, exclusive of interest.

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 \$40,989,631. The Town has no bonds authorized and issued at June 30, 2020.



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

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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 2020/2021 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, 2021***

**Government Activities:** Property tax rates remain at \$0.54 per \$100 of valuation with the adoption of the fiscal year 2020/2021 Budget Ordinance. Ad valorem tax revenues are anticipated to account for 46.5 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 \$3,011,205 or 41.5 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 based on the current tax rate adopted.

**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 \$7,742,250 for the fiscal year 2020/2021 budget. This represents a decrease of \$33,366 or a .43 percent decrease from the previous year due to the anticipated impact of the Covid-19 pandemic on our residents and local businesses and monthly fees assessed. Water and sewer fees represent 97.5 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 Roy Lynch, Town Manager, Town of Siler City, Post Office Box 769, Siler City, North Carolina 27344, 919-742-4731, Email: [rylynch@silercity.org](mailto:rylynch@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.

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## ***Basic Financial Statements***

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**Town of Siler City, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

**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	\$ 4,912,215	\$ 4,467,632	\$ 9,379,847	\$ 490,567
Taxes receivable (net)	85,116	-	85,116	-
Accounts receivable	66,289	1,222,225	1,288,514	-
Due from other funds	197	3,476	3,673	-
Due from other governments	1,014,234	1,156,844	2,171,078	-
Due from component unit	20,693	-	20,693	-
Inventories	451	-	451	168,955
Prepaid expenses	1,648	-	1,648	1,169
Restricted cash and investments	739,779	273,963	1,013,742	-
<b>Total current assets</b>	<b>6,840,622</b>	<b>7,124,140</b>	<b>13,964,762</b>	<b>660,691</b>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	8,454,895	11,227,953	19,682,848	201,385
Other capital assets, net of depreciation	5,101,508	18,465,161	23,566,669	137,796
<b>Total capital assets</b>	<b>13,556,403</b>	<b>29,693,114</b>	<b>43,249,517</b>	<b>339,181</b>
<b>Total noncurrent assets</b>	<b>13,556,403</b>	<b>29,693,114</b>	<b>43,249,517</b>	<b>339,181</b>
<b>Total assets</b>	<b>20,397,025</b>	<b>36,817,254</b>	<b>57,214,279</b>	<b>999,872</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	533,264	288,217	821,481	25,388
OPEB deferrals	50,475	27,151	77,626	-
<b>Total deferred outflows of resources</b>	<b>583,739</b>	<b>315,368</b>	<b>899,107</b>	<b>25,388</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	336,981	204,982	541,963	160,842
Accrued interest payable	29,841	100,585	130,426	-
Unearned revenue	4,532	-	4,532	-
Due to other funds	3,476	197	3,673	-
Due to primary government	-	-	-	20,693
Payable from restricted assets	-	273,963	273,963	-
Current portion of long-term liabilities	364,243	987,211	1,351,454	-
<b>Total current liabilities</b>	<b>739,073</b>	<b>1,566,938</b>	<b>2,306,011</b>	<b>181,535</b>

**Town of Siler City, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

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

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-Type Activities	Total	
Noncurrent liabilities:				
Net pension liability - LGERS	\$ 771,285	\$ 446,706	\$ 1,217,991	\$ 35,775
Total pension liability - LEO	596,602	-	596,602	-
Total OPEB liability	981,360	321,757	1,303,117	-
Due in more than one year	820,826	7,239,592	8,060,418	-
Total liabilities	<u>3,909,146</u>	<u>9,574,993</u>	<u>13,484,139</u>	<u>217,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	96,275	11,359	107,634	156
OPEB deferrals	159,956	52,444	212,400	-
Total deferred inflows of resources	<u>256,231</u>	<u>63,803</u>	<u>320,034</u>	<u>156</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,543,897	21,580,473	34,124,370	339,181
Restricted for:				
Stabilization by State Statute	1,146,255	-	1,146,255	-
Streets - Powell Bill	739,779	-	739,779	-
Other purposes	-	-	-	54,975
Unrestricted	2,385,456	5,913,353	8,298,809	413,638
Total net position	<u>\$ 16,815,387</u>	<u>\$ 27,493,826</u>	<u>\$ 44,309,213</u>	<u>\$ 807,794</u>

**Town of Siler City, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 2**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of Siler City ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Government activities:								
General government	\$ 1,791,719	\$ 50,933	\$ -	\$ -	\$ (1,740,786)	\$ -	\$ (1,740,786)	\$ -
Public safety	2,804,777	79,181	575,925	-	(2,149,671)	-	(2,149,671)	-
Transportation	1,299,551	-	218,932	448,065	(632,554)	-	(632,554)	-
Environmental protection	587,615	471,921	-	198,881	83,187	-	83,187	-
Economic and physical development	189,496	-	-	9,723	(179,773)	-	(179,773)	-
Cultural and recreational	763,126	122,312	-	20,236	(620,578)	-	(620,578)	-
Total governmental activities	<u>7,436,284</u>	<u>724,347</u>	<u>794,857</u>	<u>676,905</u>	<u>(5,240,175)</u>	<u>-</u>	<u>(5,240,175)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	6,385,904	8,461,608	-	2,235,730	-	4,311,434	4,311,434	-
License plate agency	151,035	163,153	-	-	-	12,118	12,118	-
Total business-type activities	<u>6,536,939</u>	<u>8,624,761</u>	<u>-</u>	<u>2,235,730</u>	<u>-</u>	<u>4,323,552</u>	<u>4,323,552</u>	<u>-</u>
Total primary government	<u>\$ 13,973,223</u>	<u>\$ 9,349,108</u>	<u>\$ 794,857</u>	<u>\$ 2,912,635</u>	<u>(5,240,175)</u>	<u>4,323,552</u>	<u>(916,623)</u>	<u>-</u>
Component unit								
Town of Siler City ABC Board	<u>\$ 1,765,099</u>	<u>\$ 1,844,679</u>	<u>\$ -</u>	<u>\$ -</u>				<u>79,580</u>
General revenues:								
Taxes								
Property taxes, levied for general purpose					2,856,231	-	2,856,231	-
Other taxes					1,772	-	1,772	-
Unrestricted intergovernmental					3,120,821	-	3,120,821	-
Unrestricted investment earnings					101,887	15,198	117,085	385
Miscellaneous					123,849	-	123,849	-
Total general revenues					<u>6,204,560</u>	<u>15,198</u>	<u>6,219,758</u>	<u>385</u>
Change in net position					<u>964,385</u>	<u>4,338,750</u>	<u>5,303,135</u>	<u>79,965</u>
Net position, beginning of year					<u>15,851,002</u>	<u>23,155,076</u>	<u>39,006,078</u>	<u>727,829</u>
Net position, end of year					<u>\$ 16,815,387</u>	<u>\$ 27,493,826</u>	<u>\$ 44,309,213</u>	<u>\$ 807,794</u>

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

**Town of Siler City, North Carolina  
Balance Sheet - Governmental Funds  
June 30, 2020**

**Exhibit 3  
(2 pages)**

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 4,147,744	\$ 764,471	\$ 4,912,215
Restricted cash	739,779	-	739,779
Taxes receivable, net	85,116	-	85,116
Accounts receivable, net	66,289	-	66,289
Due from other governments	932,523	81,711	1,014,234
Due from component unit	20,693	-	20,693
Due from other funds	91,408	9,995	101,403
Prepaid expenses	1,648	-	1,648
Inventories	451	-	451
	<u>451</u>	<u>-</u>	<u>451</u>
Total assets	<u>\$ 6,085,651</u>	<u>\$ 856,177</u>	<u>\$ 6,941,828</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 296,621	\$ 40,360	\$ 336,981
Unearned revenue	1,156	-	1,156
Due to other funds	12,638	92,044	104,682
	<u>12,638</u>	<u>92,044</u>	<u>104,682</u>
Total liabilities	<u>310,415</u>	<u>132,404</u>	<u>442,819</u>
<b>Deferred Inflows of Resources</b>			
Taxes receivable	85,116	-	85,116
Unavailable revenue	-	56,364	56,364
Prepaid taxes	3,136	-	3,136
Prepaid other	240	-	240
	<u>240</u>	<u>-</u>	<u>240</u>
Total deferred inflows of resources	<u>88,492</u>	<u>56,364</u>	<u>144,856</u>
<b>Fund Balances (Deficits)</b>			
Nonspendable			
Inventories and prepaids	2,099	-	2,099
Restricted			
Stabilization by State Statute	1,110,913	35,342	1,146,255
Streets - Powell Bill	739,779	-	739,779
Committed			
Capital projects	-	156,223	156,223
Assigned			
Transportation	-	11,980	11,980
Environmental protection	-	(1,178)	(1,178)
Economic and physical development	-	-	-
General government	-	482,059	482,059
Cultural and recreational	-	(17,017)	(17,017)
Subsequent year's expenditures	367,246	-	367,246
Unassigned	3,466,707	-	3,466,707
	<u>3,466,707</u>	<u>-</u>	<u>3,466,707</u>
Total fund balances	<u>5,686,744</u>	<u>667,409</u>	<u>6,354,153</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,085,651</u>	<u>\$ 856,177</u>	<u>\$ 6,941,828</u>



**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		\$ 6,354,153
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Gross capital assets at historical cost	\$ 24,293,244	
Accumulated depreciation	<u>(10,736,841)</u>	13,556,403
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.		583,739
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		141,480
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Long-term debt		(1,185,069)
Net pension liability		(771,285)
Total pension liability		(596,602)
Total OPEB liability		(981,360)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, not reported in the funds.		(29,841)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds.		<u>(256,231)</u>
Net position of governmental activities		<u><u>\$ 16,815,387</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, 2020**

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

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 2,835,670	\$ -	\$ 2,835,670
Other taxes and licenses	1,772	-	1,772
Unrestricted intergovernmental revenues	3,120,821	-	3,120,821
Restricted intergovernmental revenues	1,032,160	550,909	1,583,069
Permits and fees	65,548	-	65,548
Sales and services	658,799	-	658,799
Investment earnings	101,887	-	101,887
Miscellaneous	120,789	-	120,789
	<u>7,937,446</u>	<u>550,909</u>	<u>8,488,355</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
General government	1,910,347	49,768	1,960,115
Public safety	2,545,160	-	2,545,160
Transportation	1,473,387	264,660	1,738,047
Environmental protection	584,394	200,059	784,453
Economic and physical development	182,328	-	182,328
Cultural and recreational	739,592	140,771	880,363
Debt service:			
Principal retirement	355,053	-	355,053
Interest and fees	40,204	-	40,204
	<u>7,830,465</u>	<u>655,258</u>	<u>8,485,723</u>
<b>Total expenditures</b>			
Revenues over (under) expenditures	<u>106,981</u>	<u>(104,349)</u>	<u>2,632</u>
<b>Other financing sources (uses)</b>			
Net transfers from (to) other funds	(531,827)	531,827	-
Capital lease obligations issued	320,076	-	320,076
Insurance proceeds	3,060	-	3,060
	<u>(208,691)</u>	<u>531,827</u>	<u>323,136</u>
<b>Total financing sources (uses)</b>			
Net change in fund balance	(101,710)	427,478	325,768
Fund balance, beginning of year	<u>5,788,454</u>	<u>239,931</u>	<u>6,028,385</u>
Fund balance, end of year	<u>\$ 5,686,744</u>	<u>\$ 667,409</u>	<u>\$ 6,354,153</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, 2020**

**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		\$ 325,768
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	1,342,890	
Depreciation	<u>(541,745)</u>	801,145
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		209,872
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities.		59,270
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		27,870
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	20,561	
Change in unavailable capital grant revenue	<u>(111,307)</u>	(90,746)
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	(320,076)	
Payments on capital lease obligations	262,546	
Principal payments on long-term debt	92,507	
Decrease in accrued interest payable	<u>(456)</u>	34,521
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	7,195	
Pension expense	(364,496)	
OPEB expense	<u>(46,014)</u>	<u>(403,315)</u>
Total change in net position of governmental activities		<u>\$ 964,385</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, 2020**

**Exhibit 5**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 2,911,020	\$ 2,914,107	\$ 2,835,670	\$ (78,437)
Other taxes and licenses	1,450	1,450	1,772	322
Unrestricted intergovernmental revenues	3,027,800	3,034,048	3,120,821	86,773
Restricted intergovernmental revenues	815,400	1,143,579	1,032,160	(111,419)
Permits and fees	47,220	47,220	65,548	18,328
Sales and services	609,535	693,033	658,799	(34,234)
Investment earnings	81,200	102,822	101,887	(935)
Miscellaneous	10,100	33,117	120,789	87,672
<b>Total revenues</b>	<b>7,503,725</b>	<b>7,969,376</b>	<b>7,937,446</b>	<b>(31,930)</b>
<b>Expenditures</b>				
General government	1,978,709	2,040,956	1,910,347	130,609
Public safety	2,804,130	2,806,475	2,545,160	261,315
Transportation	926,451	1,265,239	1,473,387	(208,148)
Environmental protection	605,530	605,530	584,394	21,136
Economic and physical development	180,188	181,688	182,328	(640)
Cultural and recreational	704,292	805,707	739,592	66,115
Debt service	371,020	371,020	395,257	(24,237)
<b>Total expenditures</b>	<b>7,570,320</b>	<b>8,076,615</b>	<b>7,830,465</b>	<b>246,150</b>
Revenues over (under) expenditures	(66,595)	(107,239)	106,981	214,220
<b>Other financing sources (uses)</b>				
Transfers to other funds	(284,000)	(300,185)	(531,827)	(231,642)
Capital lease obligations issued	-	-	320,076	320,076
Insurance proceeds	-	-	3,060	3,060
<b>Total other financing sources (uses)</b>	<b>(284,000)</b>	<b>(300,185)</b>	<b>(208,691)</b>	<b>91,494</b>
Appropriation from fund balance	350,595	407,424	-	(407,424)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(101,710)</b>	<b>\$ (101,710)</b>
Fund balance, beginning of year			5,788,454	
Fund balance, end of year			<b>\$ 5,686,744</b>	

**Town of Siler City, North Carolina**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2020**

**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	\$ 4,302,027	\$ 165,605	\$ 4,467,632
Accounts receivable (net) - billed	861,363	-	861,363
Accounts receivable (net) - unbilled	355,888	-	355,888
Accounts receivable - miscellaneous	4,974	-	4,974
Due from other governments	1,156,844	-	1,156,844
Due from other funds	3,476	-	3,476
Restricted cash and investments	273,963	-	273,963
Total current assets	<u>6,958,535</u>	<u>165,605</u>	<u>7,124,140</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	11,227,953	-	11,227,953
Other capital assets, net of depreciation	18,448,884	16,277	18,465,161
Total capital assets, net	<u>29,676,837</u>	<u>16,277</u>	<u>29,693,114</u>
Total noncurrent assets	<u>29,676,837</u>	<u>16,277</u>	<u>29,693,114</u>
Total assets	<u>36,635,372</u>	<u>181,882</u>	<u>36,817,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	270,642	17,575	288,217
OPEB deferrals	27,151	-	27,151
	<u>297,793</u>	<u>17,575</u>	<u>315,368</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	196,874	8,108	204,982
Accrued interest	100,585	-	100,585
Due to other funds	-	197	197
Customer deposits/overpayments	273,963	-	273,963
Current portion of compensated absences	38,556	624	39,180
Current portion of long-term debt	948,031	-	948,031
Total current liabilities	<u>1,558,009</u>	<u>8,929</u>	<u>1,566,938</u>
Noncurrent liabilities:			
Net pension liability - LGERS	419,466	27,240	446,706
Noncurrent portion of compensated absences	72,071	2,911	74,982
Total OPEB liability	305,669	16,088	321,757
Noncurrent portion of long-term debt	7,164,610	-	7,164,610
Total noncurrent liabilities	<u>7,961,816</u>	<u>46,239</u>	<u>8,008,055</u>
Total liabilities	<u>9,519,825</u>	<u>55,168</u>	<u>9,574,993</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	10,666	693	11,359
OPEB deferrals	49,822	2,622	52,444
	<u>60,488</u>	<u>3,315</u>	<u>63,803</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,564,196	16,277	21,580,473
Unrestricted	5,788,656	124,697	5,913,353
Total net position	<u>\$ 27,352,852</u>	<u>\$ 140,974</u>	<u>\$ 27,493,826</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, 2020**

**Exhibit 7**

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
<b>Operating revenues</b>			
Water charges	\$ 4,356,306	\$ -	\$ 4,356,306
Sewer charges	3,981,525	-	3,981,525
Water and sewer taps	29,360	-	29,360
Reconnection fees	75,096	-	75,096
Water meter installation	2,160	-	2,160
License plate agency fees	-	123,479	123,479
Notary fees	-	36,145	36,145
Other operating revenue	17,161	3,529	20,690
	<u>8,461,608</u>	<u>163,153</u>	<u>8,624,761</u>
Total operating revenues			
<b>Operating expenses</b>			
Administration	765,401	-	765,401
Water operations	1,677,364	-	1,677,364
Sewer operations	1,756,531	-	1,756,531
Water and sewer maintenance	562,860	-	562,860
License plate agency	-	149,836	149,836
Risk Management	401,980	-	401,980
Depreciation	996,878	1,199	998,077
	<u>6,161,014</u>	<u>151,035</u>	<u>6,312,049</u>
Total operating expenses			
Operating income	<u>2,300,594</u>	<u>12,118</u>	<u>2,312,712</u>
<b>Nonoperating revenues (expenses)</b>			
Intergovernmental revenue	2,235,730	-	2,235,730
Interest earned on investments	15,198	-	15,198
Interest and fees	(224,890)	-	(224,890)
	<u>2,026,038</u>	<u>-</u>	<u>2,026,038</u>
Total nonoperating revenues (expenses)			
Change in net position	4,326,632	12,118	4,338,750
Total net position, beginning	<u>23,026,220</u>	<u>128,856</u>	<u>23,155,076</u>
Total net position, ending	<u>\$ 27,352,852</u>	<u>\$ 140,974</u>	<u>\$ 27,493,826</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, 2020**

**Exhibit 8**  
**(2 pages)**

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 8,376,604	\$ 163,153	\$ 8,539,757
Cash paid for goods and services	(3,484,873)	(6,220)	(3,491,093)
Cash paid to employees for services	(1,601,099)	(133,896)	(1,734,995)
Customer deposits returned, net	(45,993)	-	(45,993)
Net cash provided by operating activities	<u>3,244,639</u>	<u>23,037</u>	<u>3,267,676</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(2,934,310)	-	(2,934,310)
Proceeds from sale of capital assets	-	-	-
Capital contributions	2,132,567	-	2,132,567
Principal paid on long-term debt	(881,980)	-	(881,980)
Proceeds from issuance of capital leases	79,924	-	79,924
Principal paid on capital leases	(72,697)	-	(72,697)
Interest paid on long-term debt	(240,158)	-	(240,158)
Net cash used by capital and related financing activities	<u>(1,916,654)</u>	<u>-</u>	<u>(1,916,654)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	<u>15,198</u>	<u>-</u>	<u>15,198</u>
Net cash provided by investing activities	<u>15,198</u>	<u>-</u>	<u>15,198</u>
Net increase in cash and investments	1,343,183	23,037	1,366,220
Cash and investments at beginning of year	<u>3,232,807</u>	<u>142,568</u>	<u>3,375,375</u>
Cash and investments at end of year	<u>\$ 4,575,990</u>	<u>\$ 165,605</u>	<u>\$ 4,741,595</u>
Cash and investments at end of year	\$ 4,302,027	\$ 165,605	\$ 4,467,632
Restricted cash and investments at end of year	<u>273,963</u>	<u>-</u>	<u>273,963</u>
Total cash and investments at end of year	<u>\$ 4,575,990</u>	<u>\$ 165,605</u>	<u>\$ 4,741,595</u>

**Town of Siler City, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 8**  
**(2 pages)**

	<u>Major Water and Sewer</u>	<u>Non-Major License Plate Agency</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 2,300,594	\$ 12,118	\$ 2,312,712
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	996,878	1,199	998,077
Change in assets and liabilities:			
Increase in receivables	(86,017)	-	(86,017)
Increase (decrease) in net pension liability	70,151	(268)	69,883
Increase in total OPEB liability	2,902	153	3,055
Decrease in deferred outflows of resources for pensions	5,167	4,145	9,312
Increase in deferred outflows of resources for OPEB	(1,482)	-	(1,482)
Increase in deferred inflows of resources for pensions	8,386	514	8,900
Increase in deferred inflows of resources for OPEB	11,076	583	11,659
Increase (decrease) in accounts payable and accrued liabilities	(42,628)	3,285	(39,343)
Increase (decrease) in compensated absences	25,605	1,308	26,913
Decrease in customer deposits	(45,993)	-	(45,993)
Net cash provided by operating activities	<u>\$ 3,244,639</u>	<u>\$ 23,037</u>	<u>\$ 3,267,676</u>



## Notes to the 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

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

The Town reports the following major governmental fund:

*General Fund* - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, 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.

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, Wastewater Treatment Plant Improvements Capital Project Fund, Wastewater Asset Inventory and Assessment Capital Project Fund, Water Asset Inventory and Assessment Capital Project Fund, and Waste Water Treatment Plant Nutrient Removal Phase I 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

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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.

***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) money market mutual fund, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the NCCMT Term Portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

(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.

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

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(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	\$ 739,779
Business-type activities:	
Water and sewer fund:	
Customer deposits	<u>273,963</u>
Total restricted cash	<u>\$ 1,013,742</u>

(4) Ad Valorem Taxes Receivable

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

(5) Allowances for Doubtful Accounts

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.

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

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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

(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 and OPEB deferrals. 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.

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

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(11) Net Position/Fund Balances

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

*Inventories and prepaids* - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid expenses, 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.

*Environmental Protection* - portion of fund balance that has been budgeted by the Board for sidewalks and Brownsfields assessments.

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

*General Government* - portion of fund balance that has been budgeted by the Board for Town Hall renovations.

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

*Subsequent Year's Expenditures* - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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*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 of Individual Funds**

At June 30, 2020, The Town had deficits in the Greenway Construction, Airport Runway, Airfield Lighting Rehabilitation and Beacon Light Replacement, Land Acquisition (White Property), Aquatic Facility, East Street Sidewalk, and Brownsfield Assessment Capital Projects Funds of \$16,975, \$9,838, \$7,720, \$35,342, \$42, \$2,565, and \$1,178, respectively. The deficits in all funds but the Aquatic Facility Capital Project Fund are due to timing only, as the respective grant revenues were not considered to be available as of June 30, 2020, and therefore are presented as deferred inflows of resources. The deficit in the Aquatic Facility is a result of the expenditures exceeding budgeted amounts by \$42, and the Town not transferring over funds from the General Fund to cover the Town's obligation under this project.

**B. Excess of Expenditures**

For the fiscal year ended June 30, 2020, the expenditures in the Town's General Fund exceeded the authorized appropriations by the governing board in Public Works by \$240,779, and in Debt Service by \$24,237. In addition, for the fiscal year ended June 30, 2020, the expenditures in the Town's Water and Sewer Fund exceeded the authorized appropriations by the governing board in Debt Service by \$21,109. 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>.

**C. Timeliness of Audit**

The audit report was issued 9 months after the required due date of January 31, 2021.



**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.

At June 30, 2020, the Town's deposits had a carrying amount of \$695,270 and a bank balance of \$1,438,502. Of the bank balance, \$402,707 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 \$488,967 and the bank balance was \$487,293. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the Town and ABC Board's petty cash fund totaled \$840 and \$1,600, respectively.

(2) Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 5,349,871	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>4,347,608</u>	0.15 years	Unrated
Total		<u>\$ 9,697,479</u>		

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

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

Level of fair value hierarchy:

**Level 1** - Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town does not have a formal investment policy.

*Credit Risk.* The Town and the ABC Board have no formal policy regarding credit risk, but have internal management procedures that limits their investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments permitted under G.S. 159-30 as amended.

(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 \$36,000.

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, 2020 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2019</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 779,838	\$ -	\$ -	\$ 779,838
Construction in progress	6,755,548	919,509	-	7,675,057
	<u>7,535,386</u>	<u>919,509</u>	<u>-</u>	<u>8,454,895</u>
Capital assets being depreciated:				
Buildings	3,408,142	51,305	-	3,459,447
Other improvements	4,612,025	-	-	4,612,025
Equipment	2,617,181	276,781	-	2,893,962
Computer equipment	264,181	-	-	264,181
Vehicles and motorized equipment	3,826,094	95,295	-	3,921,389
Infrastructure	687,345	-	-	687,345
	<u>15,414,968</u>	<u>423,381</u>	<u>-</u>	<u>15,838,349</u>
Grand total	<u>22,950,354</u>	<u>1,342,890</u>	<u>-</u>	<u>24,293,244</u>
Less accumulated depreciation and amortization for:				
Buildings	2,463,398	122,352	-	2,585,750
Other improvements	3,263,489	45,491	-	3,308,980
Equipment	1,039,247	195,347	-	1,234,594
Computer equipment	204,704	8,860	-	213,564
Vehicles and motorized equipment	2,806,712	152,015	-	2,958,727
Infrastructure	417,546	17,680	-	435,226
	<u>10,195,096</u>	<u>541,745</u>	<u>-</u>	<u>10,736,841</u>
Total capital assets being depreciated, net	<u>5,219,872</u>			<u>5,101,508</u>
Governmental activity capital assets, net	<u>\$ 12,755,258</u>			<u>\$ 13,556,403</u>

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

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

General government	\$ 49,379
Public safety	284,812
Cultural and recreation	92,120
Transportation	<u>115,434</u>

Total depreciation expense \$ 541,745

<b>Business-Type Activities - Water and Sewer Fund</b>	<b>July 1, 2019</b>	<b>Transfers in/ Additions</b>	<b>Transfers out/ Retirements</b>	<b>June 30, 2020</b>
Capital assets not being depreciated:				
Land	\$ 4,934,473	\$ -	\$ -	\$ 4,934,473
Construction in progress	<u>4,032,662</u>	<u>2,260,818</u>	<u>-</u>	<u>6,293,480</u>
	<u>8,967,135</u>	<u>2,260,818</u>	<u>-</u>	<u>11,227,953</u>
Capital assets being depreciated:				
Buildings	8,065,709	65,824	-	8,131,533
Other improvements	34,689,518	-	-	34,689,518
Equipment and vehicles	1,677,372	477,241	-	2,154,613
Computer equipment	<u>302,307</u>	<u>-</u>	<u>-</u>	<u>302,307</u>
	<u>44,734,906</u>	<u>543,065</u>	<u>-</u>	<u>45,277,971</u>
Grand total	<u>53,702,041</u>	<u>2,803,883</u>	<u>-</u>	<u>56,505,924</u>
Less accumulated depreciation and amortization for:				
Buildings	6,203,982	158,746	-	6,362,728
Other improvements	18,133,131	766,179	-	18,899,310
Equipment and vehicles	1,443,150	70,627	-	1,513,777
Computer equipment	<u>51,946</u>	<u>1,326</u>	<u>-</u>	<u>53,272</u>
	<u>25,832,209</u>	<u>996,878</u>	<u>-</u>	<u>26,829,087</u>
Total capital assets being depreciated, net	<u>18,902,697</u>			<u>18,448,884</u>
Business-type activities - Water and Sewer Fund, net	<u>\$ 27,869,832</u>			<u>\$ 29,676,837</u>
<b>Business-Type Activities - License Plate Agency</b>				
Capital assets being depreciated:				
Building renovations	\$ 23,982	\$ -	\$ -	\$ 23,982
Less accumulated depreciation and amortization for:				
Building renovations	<u>6,506</u>	<u>1,199</u>	<u>-</u>	<u>7,705</u>
Total capital assets being depreciated, net	<u>17,476</u>			<u>16,277</u>
Business-type activities - License Plate Agency, net	<u>\$ 17,476</u>			<u>\$ 16,277</u>

The Town has several active construction projects as of June 30, 2020. As of year-end, the Town has spent \$2,065,781 with respect to these projects and their remaining commitments are \$91,059.

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

***Discretely Presented Component Unit***

Capital asset activity for the ABC Board for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Retirements</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 201,385	\$ -	\$ -	\$ 201,385
Capital assets being depreciated:				
Buildings	336,918	7,436	-	344,354
Office equipment	<u>117,874</u>	<u>17,256</u>	<u>-</u>	<u>135,130</u>
	<u>454,792</u>	<u>6,970</u>	<u>-</u>	<u>479,484</u>
Grand total	<u>656,177</u>	<u>6,970</u>	<u>-</u>	<u>680,869</u>
Less accumulated depreciation and amortization for:				
Buildings	217,808	9,740	-	227,548
Office equipment	<u>108,155</u>	<u>5,985</u>	<u>-</u>	<u>114,140</u>
	<u>325,963</u>	<u>19,729</u>	<u>-</u>	<u>341,688</u>
Capital assets being depreciated, net	<u>128,829</u>			<u>137,796</u>
ABC Board capital assets, net	<u>\$ 330,214</u>			<u>\$ 339,181</u>

**B. Liabilities**

(1) Payables

Payables at June 30, 2020 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental activities:			
General	\$ 96,102	\$ 200,519	\$ 296,621
Other governmental	<u>-</u>	<u>40,360</u>	<u>40,360</u>
Total - governmental activities	<u>\$ 96,102</u>	<u>\$ 240,879</u>	<u>\$ 336,981</u>
Business-type activities:			
Water and Sewer	\$ 38,633	\$ 158,241	\$ 196,874
License Plate Agency	<u>6,735</u>	<u>1,373</u>	<u>8,108</u>
Total - business-type activities	<u>\$ 45,368</u>	<u>\$ 159,614</u>	<u>\$ 204,982</u>

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

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(2) Pension Plan 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 for the state of North Carolina. The State's Comprehensive Annual Financial Report 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, 2020 was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$331,424 for the year ended June 30, 2020.

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

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

At June 30, 2020, the Town reported a liability of \$1,217,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.0446%, which was a decrease of 0.0039% from its proportion measured as of June 30, 2018.

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

For the year ended June 30, 2020, the Town recognized pension expense of \$544,749. At June 30, 2020, 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>
Difference between expected and actual experience	\$ 208,551	\$ -
Changes of assumptions	198,512	-
Net difference between project and actual earning on pension plan investments	29,708	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,660	30,971
Town contributions subsequent to the measurement date	<u>331,424</u>	<u>-</u>
	<u>\$ 785,855</u>	<u>\$ 30,971</u>

\$331,424 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. 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>	
2021	\$ 217,735
2022	65,292
2023	114,428
2024	26,005
2025	-
Thereafter	<u>-</u>
Total	<u>\$ 423,460</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

**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, 2019 are summarized in the following table:

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

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,785,769	\$ 1,151,298	\$ (85,149)

*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 for the State of North Carolina.

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

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**(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, 2018 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>12</u>
 Total	 <u><u>16</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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

*(iv) Change in actuarial assumptions:*

On the prior measurement date (December 31, 2018), the Municipal Bond Index Rate, on which the discount rate is based, was 3.64%. Since the Prior Measurement Date, the Municipal Bond Index Rate has decreased to 3.26% as of the Measurement Date (December 31, 2019). This resulted in a \$12,713 increase in the Total Pension Liability.



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

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(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 \$59,270 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, 2020, the Town reported a total pension liability of \$596,602. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$23,847.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 76,663
Changes of assumptions	6,417	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>29,209</u>	<u>-</u>
Total	<u>\$ 35,626</u>	<u>\$ 76,663</u>

The \$29,209 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (17,829)
2022	(17,058)
2023	(19,565)
2024	(15,794)
2025	-
Thereafter	<u>-</u>
Total	<u>\$ (70,246)</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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	<u>\$ 631,994</u>	<u>\$ 596,602</u>	<u>\$ 563,986</u>
		<b>2020</b>	
Beginning balance		\$ 721,623	
Service cost		16,488	
Interest on the total pension liability		25,188	
Changes of benefit terms		-	
Differences between expected and actual experience in the measurement of the total pension liability		(120,140)	
Changes of assumptions or other inputs		12,713	
Benefit payments		<u>(59,270)</u>	
Ending balance of the total pension liability		<u>\$ 596,602</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	\$ 544,749	\$ 23,847	\$ 568,593
Pension liability	1,217,991	596,602	1,814,593
Proportionate share of net pension liability	0.0446%	N/A	N/A
<b>Deferred outflows of resources:</b>			
Differences between expected and actual experience	\$ 208,551	\$ -	\$ 208,551
Changes of assumptions and other inputs	198,512	6,417	204,929
Net difference between projected and actual earnings on plan investments	29,708	-	29,708
Changes in proportion and differences between contributions and proportionate share of contributions	17,660	-	17,660
Benefit payments and administrative costs paid subsequent to the measurement date	331,424	29,209	360,633

**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	\$ -	\$ 76,663	\$ 76,663
Changes of assumptions and other inputs	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	30,971	-	30,971

**(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 for the State of North Carolina. The State's Comprehensive Annual Financial Report 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 \$54,705 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, 2020, the Town contributed five percent (5.0%) 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 \$119,298 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**

(3) 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 4 years	Not eligible
5 to 9 years	0%
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, 2019, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	12	2
Active plan members	<u>51</u>	<u>22</u>
Total	<u>63</u>	<u>24</u>

**Total OPEB liability**

The Town's total OPEB liability of \$1,303,744 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent, including real wage growth
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.50 percent
Healthcare cost trend rates	7.00% decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

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

**Changes in the total OPEB liability**

	<u>2020</u>
Beginning balance	\$ 1,290,744
Service cost	52,852
Interest on the total OPEB liability	49,745
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(92,349)
Changes of assumptions or other inputs	26,239
Net benefit payments	<u>(24,114)</u>
Ending balance of the total OPEB liability	<u>\$ 1,303,117</u>

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

Benefit payments presented are net of an implicit rate subsidy for retirees participating in the plan.

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(2.50%)</u>	<u>Discount</u> <u>Rate</u> <u>(3.50%)</u>	<u>1%</u> <u>Increase</u> <u>(4.50%)</u>
Total OPEB liability	<u>\$ 1,422,829</u>	<u>\$ 1,303,117</u>	<u>\$ 1,195,837</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%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Trend Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability	<u>\$ 1,174,910</u>	<u>\$ 1,303,117</u>	<u>\$ 1,454,180</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, 2020, the Town recognized OPEB expense of \$61,100. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 150,906
Changes of assumptions	22,605	61,494
Benefit payments and administrative costs made subsequent to the measurement date	<u>55,021</u>	<u>-</u>
Total	<u>\$ 77,626</u>	<u>\$ 212,400</u>

\$55,021 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, 2021. 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>	
2021	\$ (41,497)
2022	(41,497)
2023	(41,497)
2024	(35,064)
2025	(19,072)
Thereafter	<u>(11,168)</u>
Total	<u>\$ (189,795)</u>

(4) 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	\$ 331,424
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	29,209
Benefit payments made for OPEB subsequent to measurement date	55,021
Differences between actual and expected experience	208,551
Changes in proportion and differences between contributions and proportionate share of contributions	17,660
Changes of assumptions	227,534
Net difference between projected and actual earnings on pension plan investments	<u>29,708</u>
Total	<u>\$ 899,107</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	\$ -	\$ 85,116
Capital grant funds receivable but unavailable	-	56,364
Prepaid taxes and other	-	3,376
Changes in assumptions	61,494	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,971	-
Differences between expected and actual experience	<u>227,569</u>	<u>-</u>
Total	<u>\$ 320,034</u>	<u>\$ 144,856</u>

(5) 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 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 agreement for various vehicles was executed on November 5, 2018 and requires four annual payments of \$72,302 starting November 15, 2018.

The agreement for various vehicles was executed on December 5, 2019 and requires four annual payments of \$105,647 starting December 5, 2019.

The following is an analysis of the assets recorded under the capital leases at June 30, 2020:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 216,694	\$ 20,734	\$ 195,960
Vehicles and motorized equipment	<u>1,052,106</u>	<u>529,870</u>	<u>522,236</u>
Total	<u>\$ 1,268,800</u>	<u>\$ 550,604</u>	<u>\$ 718,196</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, 2020 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$ 224,241	\$ 38,973
2022	103,095	21,109
2023	84,538	21,109
2024	-	-
2025	-	-
2026 and thereafter	-	-
Total minimum lease payments	411,874	81,191
Less: amount representing interest	(27,410)	(5,225)
Present value of minimum lease payments	<u>\$ 384,464</u>	<u>\$ 75,966</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, 2020 is \$40,832.

In August 2018, 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 August 2019 with an interest rate of 3.75%. The outstanding balance at June 30, 2020 is \$587,210.

The future minimum payments of the installment purchases as of June 30, 2020, including \$120,412 of interest, are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 96,885	\$ 26,943	\$ 123,828
2022	58,155	19,917	78,072
2023	60,336	17,736	78,072
2024	62,599	15,473	78,072
2025	64,946	13,126	78,072
2025 and thereafter	<u>285,121</u>	<u>27,217</u>	<u>312,338</u>
Totals	<u>\$ 628,042</u>	<u>\$ 120,412</u>	<u>\$ 748,454</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, 2020 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).	\$ 4,127,972
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>3,908,703</u>
	<u>\$ 8,036,675</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>
2021	\$ 912,000	\$ 208,233	\$ 1,120,233
2022	937,000	183,709	1,120,709
2023	962,000	158,531	1,120,531
2024	988,000	132,672	1,120,672
2025	1,015,000	106,106	1,121,106
Thereafter	<u>3,222,675</u>	<u>147,930</u>	<u>3,370,605</u>
Totals	<u>\$ 8,036,675</u>	<u>\$ 937,181</u>	<u>\$ 8,973,856</u>

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

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

At June 30, 2020, the Town had a legal debt margin of approximately \$40,989,631.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2020:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due within One Year</u>
Governmental activities:					
Capitalized leases	\$ 326,934	\$ 320,076	\$ 262,546	\$ 384,464	\$ 208,016
Installment purchases	720,549	-	92,507	628,042	96,885
Compensated absences	179,758	54,621	61,816	172,563	59,342
Separation allowance	721,623	-	125,021	596,602	-
Other postemployment benefits	972,042	9,318	-	981,360	-
Net pension liability (LGERS)	<u>774,475</u>	<u>-</u>	<u>3,190</u>	<u>771,285</u>	<u>-</u>
	<u>\$ 3,695,381</u>	<u>\$ 384,015</u>	<u>\$ 545,080</u>	<u>\$ 3,534,316</u>	<u>\$ 364,243</u>

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

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due within One Year</u>
Business-type activities:					
Notes	\$ 8,918,655	\$ -	\$ 881,980	\$ 8,036,675	\$ 912,000
Capitalized leases	68,739	79,924	72,697	75,966	36,031
Compensated absences	87,249	57,238	30,325	114,162	39,180
Other postemployment benefits	318,702	3,055	-	321,757	-
Net pension liability (LIGERS)	<u>376,823</u>	<u>69,883</u>	<u>-</u>	<u>446,706</u>	<u>-</u>
	<u>\$ 9,770,168</u>	<u>\$ 210,100</u>	<u>\$ 985,002</u>	<u>\$ 8,995,266</u>	<u>\$ 987,211</u>

**C. Interfund Balances and Activity**

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

Due to the General Fund from the License Plate Agency Fund	\$ 197
Due to the Water and Sewer Fund from the Capital Reserve Fund	833
Due to the Water and Sewer Fund from the General Fund	2,642
Due to the Capital Reserve Fund from the General Fund	9,995
Due to the General Fund from the Capital Project Fund (Greenway Construction)	16,975
Due to the General Fund from the Capital Project Fund (Airport Runway)	9,245
Due to the General Fund from the Capital Project Fund (Aquatic Facility)	42
Due to the General Fund from the Capital Project Fund (Land Acquisition - White Property)	53,486
Due to the General Fund from the Capital Project Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement)	7,720
Due to the General Fund from the Capital Project Fund (East Raleigh Street Sidewalk)	2,565
Due to the General Fund from the Capital Project Fund (Brownfield Assessments)	1,178

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.

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

From the General Fund to the Capital Project Fund (Town Hall Renovations) - capital project expenditures	<u>\$ 531,827</u>
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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.

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

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**D. Net Investment in Capital Assets**

The following table represents the calculation of the Town’s net investment in capital assets at June 30, 2020:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 13,556,403	\$ 29,693,114
Less: Long-term debt	<u>(1,012,506)</u>	<u>(8,112,641)</u>
Net investment in capital assets	<u>\$ 12,543,897</u>	<u>\$ 21,580,473</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	\$ 5,686,744
Less:	
Nonspendable	(2,099)
Appropriated fund balance in subsequent fiscal year’s budget	(367,246)
Stabilization by State Statute	(1,110,913)
Streets - Powell Bill	<u>(739,779)</u>
Remaining fund balance	<u>\$ 3,466,707</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 \$5,000,000 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 is individually bonded for \$100,000. 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 and Uncertainties**

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.

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus (“COVID-19”) to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. The COVID-19 pandemic has impacted and may continue to impact the Town, including employees, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

**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 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; however, the annual increase may not exceed 10% of the base fee.

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:

**Year Ending June 30:**

2021	\$	8,816
2022		8,300
2023		7,784
2024		7,267
2025		6,375
Thereafter		<u>36,876</u>
	\$	<u>75,418</u>

## **Required Supplementary Information**

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

**Schedule of Changes in Total Pension Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 721,623	\$ 712,462	\$ 678,839	\$ 683,310
Service cost	16,488	24,316	19,972	22,758
Interest on the total pension liability	25,188	21,730	25,484	23,729
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(120,140)	33,891	(6,294)	-
Changes of assumptions or other inputs	12,713	(21,166)	31,742	(13,677)
Benefit payments	(59,270)	(49,610)	(37,281)	(37,281)
Other changes	-	-	-	-
Ending balance of the total pension liability**	<u>\$ 596,602</u>	<u>\$ 721,623</u>	<u>\$ 712,462</u>	<u>\$ 678,839</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 596,602	\$ 721,623	\$ 712,462	\$ 678,839
Covered payroll	623,955	954,440	931,791	942,395
Total pension liability as a percentage of the total covered payroll	95.62%	75.61%	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**  
**Last Three Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability:</b>			
Service cost	\$ 52,852	\$ 54,583	\$ 58,913
Interest	49,745	46,752	40,257
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(92,349)	(82,117)	(26,496)
Changes of assumptions or other inputs	26,239	(37,928)	(64,966)
Benefit payments	<u>(24,114)</u>	<u>(7,520)</u>	<u>(55,952)</u>
Net change in total OPEB liability	12,373	(26,230)	(48,244)
Total OPEB liability, beginning	<u>1,290,744</u>	<u>1,316,974</u>	<u>1,365,218</u>
Total OPEB liability, ending	<u>\$ 1,303,117</u>	<u>\$ 1,290,744</u>	<u>\$ 1,316,974</u>
Covered-employee payroll	\$ 3,323,533	\$ 2,785,826	\$ 2,785,826
Total OPEB liability as a percentage of covered-employee payroll	39.21%	46.33%	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>
2020	3.50%
2019	3.89%
2018	3.56%



**Town of Siler City, North Carolina  
Local Government Employees' Retirement System -  
Required Supplementary Information  
Last Seven Fiscal Years  
For the Year Ended June 30, 2020**

<b>Proportionate Share of Net Pension Liability (Asset)*</b>							
	<b>2020</b>	<b>2019</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>0.0046%</b>	0.0485%	0.0456%	0.0464%	0.0441%	0.0465%	0.0476%
Town's proportion of the net pension liability (asset) (\$)	<b>\$ 1,217,991</b>	\$ 1,151,298	\$ 696,286	\$ 984,502	\$ 197,829	\$ (274,055)	\$ 573,763
Town's covered-employee payroll	<b>\$ 3,025,607</b>	\$ 2,994,511	\$ 2,447,632	\$ 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>40.26%</b>	38.45%	28.45%	35.73%	7.40%	-10.36%	21.40%
Plan fiduciary net position as a percentage of the total pension liability	<b>90.86%</b>	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

<b>Schedule of Contributions*</b>							
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	<b>\$ 331,424</b>	\$ 242,041	\$ 230,861	\$ 226,777	\$ 190,252	\$ 192,614	\$ 189,207
Contributions in relation to the contractually required contribution	<b>331,424</b>	242,041	230,861	226,777	190,252	192,614	189,207
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	<b>\$ 3,623,636</b>	\$ 3,025,607	\$ 2,994,511	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637
Contributions as a percentage of covered-employee payroll	<b>9.15%</b>	8.00%	7.71%	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.

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***Supplementary and Other Information***

**Town of Siler City, North Carolina**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2020 and June 30, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,147,744	\$ 3,833,645
Restricted cash	739,779	792,601
Taxes receivable, net	85,116	64,555
Accounts receivable, net	66,289	57,462
Due from other governments	932,523	833,353
Due from component unit	20,693	15,875
Due from other funds	91,408	550,242
Prepaid expenses	1,648	-
Inventories	451	2,270
	<u>451</u>	<u>2,270</u>
Total assets	<u>\$ 6,085,651</u>	<u>\$ 6,150,003</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 296,621	\$ 280,837
Unearned revenue	1,156	1,156
Due to other funds	12,638	11,625
	<u>12,638</u>	<u>11,625</u>
Total liabilities	<u>310,415</u>	<u>293,618</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes receivable	85,116	64,555
Prepaid taxes	3,136	3,136
Prepaid other	240	240
	<u>240</u>	<u>240</u>
Total deferred inflows of resources	<u>88,492</u>	<u>67,931</u>
<b>FUND BALANCES</b>		
Nonspendable		
Inventories and prepaids	2,099	2,270
Restricted		
Stabilization by State Statute	1,110,913	1,456,932
Streets - Powell Bill	739,779	792,601
Assigned		
Subsequent years' expenditures	367,246	350,595
Unassigned	3,466,707	3,186,056
	<u>3,466,707</u>	<u>3,186,056</u>
Total fund balances	<u>5,686,744</u>	<u>5,788,454</u>
	<u>\$ 6,085,651</u>	<u>\$ 6,150,003</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, 2020**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019**

(5 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<b>Revenues</b>				
Ad valorem taxes:				
Current year		\$ 2,790,384		\$ 2,458,091
Prior years		29,698		69,559
Penalties and interest		15,588		21,285
	<u>\$ 2,914,107</u>	<u>2,835,670</u>	<u>\$ (78,437)</u>	<u>2,548,935</u>
Other taxes and licenses:				
Motor vehicle licenses		632		580
Rental vehicle tax		1,140		848
	<u>1,450</u>	<u>1,772</u>	<u>322</u>	<u>1,428</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		2,577,307		2,415,124
Franchise tax		359,003		350,481
Beer and wine tax		36,705		36,481
Piped natural gas tax		16,015		18,488
Telecommunications sales tax		35,727		40,318
Solid waste disposal tax		4,916		7,500
Video franchise fee		28,734		30,909
Gas tax refund		6,165		3,829
ABC profit distribution		56,249		48,886
	<u>3,034,048</u>	<u>3,120,821</u>	<u>86,773</u>	<u>2,952,016</u>
Restricted intergovernmental revenues:				
State street aid - Powell Bill		218,932		219,228
NCDOT - non-primary airports apportionment		237,303		-
Fire district tax		413,987		324,389
Controlled substance tax		34		251
FEMA Assistance		76,343		44,489
Governor's Crime Commission Domestic Violence grant		78,025		126,151
ABC revenue - law enforcement		7,536		4,244
	<u>1,143,579</u>	<u>1,032,160</u>	<u>(111,419)</u>	<u>718,752</u>

Town of Siler City, North Carolina

General Fund

(5 pages)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2020

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Permits and fees:				
Building permits		\$ 645		\$ 152,337
Fire inspections		-		9,385
Other permits		170		275
Zoning fees		64,733		77,003
	<u>47,220</u>	<u>65,548</u>	<u>\$ 18,328</u>	<u>239,000</u>
Sales and services:				
Recreation:				
Concessions		65,048		55,872
Entry fees		14,179		25,245
Rent		7,180		12,400
Sponsorship		35,905		28,101
Facilities rent		50,763		50,341
Officers' fees		2,210		1,388
Court facilities fees		2,030		2,477
Other		9,563		36,379
Airport fees		-		31
Landfill tipping fees		471,921		433,581
	<u>693,033</u>	<u>658,799</u>	<u>(34,234)</u>	<u>645,815</u>
Investment earnings:				
Investment earnings	<u>102,822</u>	<u>101,887</u>	<u>(935)</u>	125,954
Miscellaneous:				
Donations		5,525		73,512
Miscellaneous		113,764		11,871
Sales of cemetery plots		1,500		5,250
	<u>33,117</u>	<u>120,789</u>	<u>87,672</u>	<u>90,633</u>
Total revenues	<u>7,969,376</u>	<u>7,937,446</u>	<u>(31,930)</u>	<u>7,322,533</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, 2020**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019**

(5 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<b>Expenditures</b>				
General government:				
Governing board:				
Salaries and employee benefits		\$ 62,165		\$ 62,745
Other operating expenditures		150,497		131,444
	<u>\$ 235,362</u>	<u>212,662</u>	<u>\$ 22,700</u>	<u>194,189</u>
Town manager:				
Salaries and employee benefits		90,794		177,219
Other operating expenditures		17,896		15,862
	<u>118,935</u>	<u>108,690</u>	<u>10,245</u>	<u>193,081</u>
Human resources:				
Salaries and employee benefits		93,813		74,986
Other operating expenditures		42,478		20,852
	<u>135,985</u>	<u>136,291</u>	<u>(306)</u>	<u>95,838</u>
Finance:				
Salaries and employee benefits		121,060		87,710
Other operating expenditures		125,009		86,377
Capital outlay		-		1,160
	<u>266,567</u>	<u>246,069</u>	<u>20,498</u>	<u>175,247</u>
Buildings and grounds:				
Other operating expenditures	<u>86,967</u>	<u>82,360</u>	<u>4,607</u>	<u>75,561</u>
Court facilities:				
Other operating expenditures	<u>4,200</u>	<u>3,831</u>	<u>369</u>	<u>1,516</u>
Non-departmental:				
Insurance		598,718		508,322
Other operating expenditures		521,726		48,307
	<u>1,192,940</u>	<u>1,120,444</u>	<u>72,496</u>	<u>556,629</u>
Total general government	<u>2,040,956</u>	<u>1,910,347</u>	<u>130,609</u>	<u>1,292,061</u>
Public safety:				
Police:				
Salaries and employee benefits		1,421,407		1,364,324
Other operating expenditures		425,304		328,668
Capital outlay		58,085		74,602
	<u>2,021,065</u>	<u>1,904,796</u>	<u>116,269</u>	<u>1,767,594</u>
Fire:				
Salaries and employee benefits		271,444		160,712
Other operating expenditures		178,285		195,109
Capital outlay		77,076		743,136
	<u>649,222</u>	<u>526,805</u>	<u>122,417</u>	<u>1,098,957</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, 2020**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019**

(5 pages)

	2020		Variance favorable (unfavorable)	2019
	Budget	Actual		Actual
Inspections:				
Salaries and employee benefits		\$ -		\$ 105,532
Other operating expenditures		113,559		71,601
	<u>\$ 136,188</u>	<u>113,559</u>	<u>\$ 22,629</u>	<u>177,133</u>
Total public safety	<u>2,806,475</u>	<u>2,545,160</u>	<u>261,315</u>	<u>3,043,684</u>
Transportation:				
Garage:				
Salaries and employee benefits		31,746		56,686
Other operating expenditures		28,672		31,824
Capital outlay		-		5,028
	<u>61,909</u>	<u>60,418</u>	<u>1,491</u>	<u>93,538</u>
Public works:				
Salaries and employee benefits		254,321		308,344
Other operating expenditures		473,529		370,526
Capital outlay		327,471		138,637
	<u>814,542</u>	<u>1,055,321</u>	<u>(240,779)</u>	<u>817,507</u>
Airport:				
Other operating expenditures		357,648		72,433
Capital outlay		-		14,915
	<u>388,788</u>	<u>357,648</u>	<u>31,140</u>	<u>87,348</u>
Total transportation	<u>1,265,239</u>	<u>1,473,387</u>	<u>(208,148)</u>	<u>998,393</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits		68,108		9,000
Other operating expenditures		508,850		455,679
Capital outlay		7,436		-
	<u>605,530</u>	<u>584,394</u>	<u>21,136</u>	<u>464,679</u>
Total environmental protection	<u>605,530</u>	<u>584,394</u>	<u>21,136</u>	<u>464,679</u>
Economic and physical development:				
Community development:				
Salaries and employee benefits		141,164		134,863
Other operating expenditures		41,164		39,254
	<u>181,688</u>	<u>182,328</u>	<u>(640)</u>	<u>174,117</u>
Total economic and physical development	<u>181,688</u>	<u>182,328</u>	<u>(640)</u>	<u>174,117</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, 2020**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019**

(5 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Cultural and recreational:				
Parks and recreation:				
Salaries and employee benefits		\$ 247,313		\$ 255,893
Other operating expenditures		439,050		318,154
Capital outlay		43,122		147,307
	<u>\$ 787,757</u>	<u>729,485</u>	<u>\$ 58,272</u>	<u>721,354</u>
Library:				
Other operating expenditures	17,950	10,107	7,843	16,609
Total cultural and recreational	<u>805,707</u>	<u>739,592</u>	<u>66,115</u>	<u>737,963</u>
Debt service:				
Principal		355,053		247,874
Interest		40,204		5,193
Total debt service	<u>371,020</u>	<u>395,257</u>	<u>(24,237)</u>	<u>253,067</u>
Total expenditures	<u>8,076,615</u>	<u>7,830,465</u>	<u>246,150</u>	<u>6,963,964</u>
Revenues over (under) expenditures	<u>(107,239)</u>	<u>106,981</u>	<u>214,220</u>	<u>358,569</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(300,185)	(531,827)	(231,642)	(396,453)
Capital lease obligations issued	-	320,076	320,076	218,254
Installment purchase obligations issued	-	-	-	641,185
Insurance recovery	-	3,060	3,060	25,629
Total other financing sources (uses)	<u>(300,185)</u>	<u>(208,691)</u>	<u>91,494</u>	<u>488,615</u>
Fund balance appropriated	<u>407,424</u>	-	<u>(407,424)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>(101,710)</u>	<u>\$ (101,710)</u>	<u>847,184</u>
Fund balance, beginning		<u>5,788,454</u>		<u>4,941,270</u>
Fund balance, ending		<u>\$ 5,686,744</u>		<u>\$ 5,788,454</u>

**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

(2 pages)

	<b>Capital Project Funds</b>					
	<b>Capital Reserve</b>	<b>Greenway Construction</b>	<b>Airport Runway</b>	<b>Airfield Lighting</b>	<b>Airfield Lighting Rehab &amp; Beacon Replacment</b>	<b>Land Acquisition (White Property)</b>
<b>ASSETS</b>						
Cash and investments	\$ 157,056	\$ -	\$ -	\$ 92,792	\$ -	\$ -
Due from other governments	-	16,975	-	-	33,474	29,210
Due from other funds	9,995	-	-	-	-	-
<b>Total assets</b>	<b>\$ 167,051</b>	<b>\$ 16,975</b>	<b>\$ -</b>	<b>\$ 92,792</b>	<b>\$ 33,474</b>	<b>\$ 29,210</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 593	\$ -	\$ -	\$ 7,203
Due to other funds	833	16,975	9,245	-	7,720	53,486
<b>Total liabilities</b>	<b>833</b>	<b>16,975</b>	<b>9,838</b>	<b>-</b>	<b>7,720</b>	<b>60,689</b>
Deferred Inflows of Resources:						
Unavailable revenue	-	16,975	-	-	33,474	3,863
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>16,975</b>	<b>-</b>	<b>-</b>	<b>33,474</b>	<b>3,863</b>
Fund balances (deficits):						
Restricted:						
Stabilization by State Statute	9,995	-	-	-	-	25,347
Committed:						
Capital projects	156,223	-	-	-	-	-
Assigned:						
Transportation	-	-	(9,838)	92,792	(7,720)	(60,689)
Environmental protection	-	-	-	-	-	-
General government	-	-	-	-	-	-
Cultural and recreational	-	(16,975)	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>166,218</b>	<b>(16,975)</b>	<b>(9,838)</b>	<b>92,792</b>	<b>(7,720)</b>	<b>(35,342)</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 167,051</b>	<b>\$ 16,975</b>	<b>\$ -</b>	<b>\$ 92,792</b>	<b>\$ 33,474</b>	<b>\$ 29,210</b>

**Town of Siler City, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

(2 pages)

	<b>Capital Project Funds</b>					<b>Total Non-Major Governmental Funds</b>
	<b>Aquatic Facility</b>	<b>East Raleigh Street Sidewalk</b>	<b>Brownfields Assessment</b>	<b>Library Repairs</b>	<b>Town Hall Renovations</b>	
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 514,623	\$ 764,471
Due from other governments	-	2,052	-	-	-	81,711
Due from other funds	-	-	-	-	-	9,995
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 2,052</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 514,623</b>	<b>\$ 856,177</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 32,564	\$ 40,360
Due to other funds	42	2,565	1,178	-	-	92,044
<b>Total liabilities</b>	<b>42</b>	<b>2,565</b>	<b>1,178</b>	<b>-</b>	<b>32,564</b>	<b>132,404</b>
Deferred Inflows of Resources:						
Unavailable revenue	-	2,052	-	-	-	56,364
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>2,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,364</b>
Fund balances (deficits):						
Restricted:						
Stabilization by State Statute	-	-	-	-	-	35,342
Committed:						
Capital projects	-	-	-	-	-	156,223
Assigned:						
Transportation	-	(2,565)	-	-	-	11,980
Environmental protection	-	-	(1,178)	-	-	(1,178)
General government	-	-	-	-	482,059	482,059
Cultural and recreational	(42)	-	-	-	-	(17,017)
<b>Total fund balances (deficits)</b>	<b>(42)</b>	<b>(2,565)</b>	<b>(1,178)</b>	<b>-</b>	<b>482,059</b>	<b>667,409</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ 2,052</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 514,623</b>	<b>\$ 856,177</b>

**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, 2020**

(2 pages)

	<b>Capital Project Funds</b>					
	<b>Capital Reserve</b>	<b>Greenway Construction</b>	<b>Airport Runway</b>	<b>Airfield Lighting</b>	<b>Airfield Lighting Rehab &amp; Beacon Replacment</b>	<b>Land Acquisition (White Property)</b>
<b>Revenues</b>						
Restricted intergovernmental - grant proceeds	\$ -	\$ 9,723	\$ 93,113	\$ -	\$ 59,142	\$ 105,366
Investment earnings	-	-	-	-	-	-
	<u>-</u>	<u>9,723</u>	<u>93,113</u>	<u>-</u>	<u>59,142</u>	<u>105,366</u>
<b>Expenditures</b>						
Transportation	-	-	104,025	-	44,168	110,473
Environmental protection	-	-	-	-	-	-
General government	-	-	-	-	-	-
Cultural and recreational	-	26,698	-	-	-	-
	<u>-</u>	<u>26,698</u>	<u>104,025</u>	<u>-</u>	<u>44,168</u>	<u>110,473</u>
Revenues over (under) expenditures	-	(16,975)	(10,912)	-	14,974	(5,107)
<b>Other financing sources</b>						
Transfers from other funds	-	-	-	-	-	-
Revenues and other sources over (under) expenditures and other sources	-	(16,975)	(10,912)	-	14,974	(5,107)
Fund balances (deficits), beginning of year, July 1	<u>166,218</u>	<u>-</u>	<u>1,074</u>	<u>92,792</u>	<u>(22,694)</u>	<u>(30,235)</u>
Fund balances (deficits), end of year, June 30	<u>\$ 166,218</u>	<u>\$ (16,975)</u>	<u>\$ (9,838)</u>	<u>\$ 92,792</u>	<u>\$ (7,720)</u>	<u>\$ (35,342)</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, 2020**

(2 pages)

	Capital Project Funds					Total Non-Major Governmental Funds
	Aquatic Facility	East Raleigh Street Sidewalk	Brownfields Assessment	Library Repairs	Town Hall Renovations	
<b>Revenues</b>						
Restricted intergovernmental - grant proceeds	\$ -	\$ 3,261	\$ 280,304	\$ -	\$ -	\$ 550,909
Investment earnings	-	-	-	-	-	-
	<u>-</u>	<u>3,261</u>	<u>280,304</u>	<u>-</u>	<u>-</u>	<u>550,909</u>
<b>Expenditures</b>						
Transportation	-	5,994	-	-	-	264,660
Environmental protection	-	-	200,059	-	-	200,059
General government	-	-	-	-	49,768	49,768
Cultural and recreational	-	-	-	114,073	-	140,771
	<u>-</u>	<u>5,994</u>	<u>200,059</u>	<u>114,073</u>	<u>49,768</u>	<u>655,258</u>
Revenues over (under) expenditures	-	(2,733)	80,245	(114,073)	(49,768)	(104,349)
<b>Other financing sources</b>						
Transfers from other funds	-	-	-	-	531,827	531,827
Revenues and other sources over (under) expenditures and other sources	-	(2,733)	80,245	(114,073)	482,059	427,478
Fund balances (deficits), beginning of year, July 1	<u>(42)</u>	<u>168</u>	<u>(81,423)</u>	<u>114,073</u>	<u>-</u>	<u>239,931</u>
Fund balances (deficits), end of year, June 30	<u>\$ (42)</u>	<u>\$ (2,565)</u>	<u>\$ (1,178)</u>	<u>\$ -</u>	<u>\$ 482,059</u>	<u>\$ 667,409</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, 2020**

	<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>					
Investment earnings	\$ 317,000	\$ 459,204	\$ -	\$ 459,204	\$ 142,204
<b>Other financing sources (uses)</b>					
Transfers from:					
General fund	1,206,175	983,093	-	983,093	(223,082)
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)	-	(309,431)	(112,106)
 Total other financing sources (uses)	 (317,000)	 (292,986)	 -	 (292,986)	 24,014
 Revenues and other sources over expenditures and other uses	 \$ -	 \$ 166,218	 -	 \$ 166,218	 \$ 166,218
 Fund balance, beginning of year, July 1			166,218		
 Fund balance, end of year, June 30			<u>\$ 166,218</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, 2020**

	<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	<u>\$ 961,967</u>	<u>\$ 922,454</u>	<u>\$ 9,723</u>	<u>\$ 932,177</u>	<u>\$ (29,790)</u>
<b>Expenditures</b>					
Cultural and recreational:					
Construction	<u>\$ 961,967</u>	<u>928,552</u>	<u>\$ 26,698</u>	<u>955,250</u>	<u>6,717</u>
Revenues under expenditures	<u>-</u>	<u>(6,098)</u>	<u>(16,975)</u>	<u>(23,073)</u>	<u>(36,507)</u>
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>-</u>	<u>6,098</u>	<u>-</u>	<u>6,098</u>	<u>6,098</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(16,975)</u>	<u>\$ (16,975)</u>	<u>\$ (30,409)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund deficit, end of year, June 30			<u>\$ (16,975)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airport Runway)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	\$ 2,547,691	\$ 2,453,064	\$ 93,113	\$ 2,546,177	\$ (1,514)
Local grant proceeds	160,346	160,346	-	160,346	-
Total revenues	2,708,037	2,613,410	93,113	2,706,523	(1,514)
<b>Expenditures</b>					
Transportation:					
Construction	\$ 2,830,768	2,725,758	\$ 104,025	2,829,783	985
Revenues under expenditures	(122,731)	(112,348)	(10,912)	(123,260)	(529)
<b>Other financing sources</b>					
Transfers from:					
General fund	\$ 122,731	113,422	\$ -	113,422	(9,309)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 1,074	(10,912)	\$ (9,838)	\$ (9,838)
Fund balance, beginning of year, July 1			1,074		
Fund deficit, end of year, June 30			\$ (9,838)		



**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airfield Lighting)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	<u>\$ 1,005,176</u>	<u>\$ 101,237</u>	<u>\$ -</u>	<u>\$ 101,237</u>	<u>\$ (903,939)</u>
<b>Expenditures</b>					
Transportation:					
Engineering and design	<u>1,116,863</u>	<u>120,132</u>	<u>-</u>	<u>120,132</u>	<u>996,731</u>
Revenues over (under) expenditures	<u>(111,687)</u>	<u>(18,895)</u>	<u>-</u>	<u>(18,895)</u>	<u>92,792</u>
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>111,687</u>	<u>111,687</u>	<u>-</u>	<u>111,687</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 92,792</u>	<u>-</u>	<u>\$ 92,792</u>	<u>\$ 92,792</u>
Fund balance, beginning of year, July 1			<u>92,792</u>		
Fund balance, end of year, June 30			<u>\$ 92,792</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 957,688	\$ 827,208	\$ 59,142	\$ 886,350	\$ (71,338)
<b>Expenditures</b>					
Transportation:					
Administration	\$ 94,946	\$ 34,162	\$ 129	\$ 34,291	\$ 60,655
Construction	883,180	865,017	14,437	879,454	3,726
Engineering and design	85,973	57,134	29,602	86,736	(763)
	<u>1,064,099</u>	<u>956,313</u>	<u>44,168</u>	<u>1,000,481</u>	<u>63,618</u>
Revenues over (under) expenditures	(106,411)	(129,105)	14,974	(114,131)	(7,720)
<b>Other financing sources</b>					
Transfers from:					
General fund	106,411	106,411	-	106,411	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (22,694)</u>	14,974	<u>\$ (7,720)</u>	<u>\$ (7,720)</u>
Fund balance, beginning of year, July 1			<u>(22,694)</u>		
Fund deficit, end of year, June 30			<u>\$ (7,720)</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, 2020**

	<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	<u>\$ 315,359</u>	<u>\$ -</u>	<u>\$ 105,366</u>	<u>\$ 105,366</u>	<u>\$ (209,993)</u>
<b>Expenditures</b>					
Transportation:					
Administration	<u>\$ 325,491</u>	<u>\$ 55,528</u>	<u>\$ 110,473</u>	<u>\$ 166,001</u>	<u>\$ 159,490</u>
Engineering and design	<u>30,887</u>	<u>3,110</u>	<u>-</u>	<u>3,110</u>	<u>27,777</u>
Total expenditures	<u>356,378</u>	<u>58,638</u>	<u>110,473</u>	<u>169,111</u>	<u>187,267</u>
Revenues under expenditures	<u>(41,019)</u>	<u>(58,638)</u>	<u>(5,107)</u>	<u>(63,745)</u>	<u>(22,726)</u>
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>41,019</u>	<u>28,403</u>	<u>-</u>	<u>28,403</u>	<u>(12,616)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (30,235)</u>	<u>(5,107)</u>	<u>\$ (35,342)</u>	<u>\$ (35,342)</u>
Fund deficit, beginning of year, July 1			<u>(30,235)</u>		
Fund deficit, end of year, June 30			<u>\$ (35,342)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Aquatic Facility)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	\$ 480,035	\$ 480,035	\$ -	\$ 480,035	\$ -
Local grant proceeds	<u>42,760</u>	<u>42,760</u>	<u>-</u>	<u>42,760</u>	<u>-</u>
Total revenues	522,795	522,795	-	522,795	-
<b>Expenditures</b>					
Cultural and recreational					
Construction	<u>\$ 1,002,830</u>	<u>\$ 1,002,872</u>	<u>\$ -</u>	<u>\$ 1,002,872</u>	<u>\$ (42)</u>
Revenues under expenditures	(480,035)	(480,077)	-	(480,077)	(42)
<b>Other financing sources</b>					
Transfers from:					
General fund	<u>480,035</u>	<u>480,035</u>	<u>-</u>	<u>480,035</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (42)</u>	<u>-</u>	<u>\$ (42)</u>	<u>\$ (42)</u>
Fund deficit, beginning of year, July 1			<u>(42)</u>		
Fund deficit, end of year, June 30			<u>\$ (42)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (East Raleigh Street Sidewalk)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 696,000	\$ 37,378	\$ 3,261	\$ 40,639	\$ (655,361)
<b>Expenditures</b>					
Transportation					
Construction	\$ 744,000	\$ -	\$ -	\$ -	\$ 744,000
Engineering and design	126,000	49,210	5,994	55,204	70,796
Right of way	45,000	-	-	-	45,000
Total expenditures	915,000	49,210	5,994	55,204	859,796
Revenues under expenditures	(219,000)	(11,832)	(2,733)	(14,565)	204,435
<b>Other financing sources</b>					
Transfers from:					
General fund	219,000	12,000	-	12,000	(207,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 168	(2,733)	\$ (2,565)	\$ (2,565)
Fund balance, beginning of year, July 1			168		
Fund deficit, end of year, June 30			\$ (2,565)		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Brownsfield Assessment)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds - hazardous	\$ 200,000	\$ -	\$ 192,107	\$ 192,107	\$ (7,893)
Federal grant proceeds - petroleum	100,000	-	88,197	88,197	(11,803)
Total revenues	<u>300,000</u>	<u>-</u>	<u>280,304</u>	<u>280,304</u>	<u>(19,696)</u>
<b>Expenditures</b>					
Environmental protection					
Operating - hazardous	\$ 200,000	\$ 31,886	\$ 160,744	\$ 192,630	\$ 7,370
Operating - petroleum	100,000	49,537	39,315	88,852	11,148
Total expenditures	<u>300,000</u>	<u>81,423</u>	<u>200,059</u>	<u>281,482</u>	<u>18,518</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (81,423)</u>	80,245	<u>\$ (1,178)</u>	<u>\$ (1,178)</u>
Fund deficit, beginning of year, July 1			<u>(81,423)</u>		
Fund deficit, end of year, June 30			<u>\$ (1,178)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Library Repairs)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	\$ 228,146	\$ 114,073	\$ 114,073	\$ 228,146	\$ -
Revenues under expenditures	(228,146)	(114,073)	(114,073)	(228,146)	-
<b>Other financing sources</b>					
Transfers from:					
General fund	228,146	228,146	-	228,146	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 114,073	(114,073)	\$ -	\$ -
Fund balance, beginning of year, July 1			114,073		
Fund balance, end of year, June 30			\$ -		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Town Hall Renovations)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Expenditures</b>					
General government:					
Construction	\$ 449,567	\$ -	\$ -	\$ -	\$ 449,567
Engineering and design	57,260	-	49,768	49,768	7,492
Furnishings	25,000	-	-	-	25,000
Total expenditures	531,827	-	49,768	49,768	482,059
Revenues under expenditures	(531,827)	-	(49,768)	(49,768)	(482,059)
<b>Other financing sources</b>					
Transfers from:					
General fund	531,827	-	531,827	531,827	-
Revenues and other financing sources over expenditures	\$ -	\$ -	482,059	\$ 482,059	\$ (482,059)
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 482,059		



**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, 2020**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2019**

(2 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues:				
Water sales	\$ 4,372,098	\$ 4,356,306	\$ (15,792)	\$ 3,671,124
Sewer sales	3,367,457	3,981,525	614,068	2,747,092
Water and sewer taps	22,738	29,360	6,622	3,983
Reconnection fees	95,400	75,096	(20,304)	90,104
Water meter installation	4,000	2,160	(1,840)	2,061
Other operating revenue	25,336	17,161	(8,175)	29,650
Total operating revenues	7,887,029	8,461,608	574,579	6,544,014
Nonoperating revenues:				
Interest earned on investments	15,400	15,198	(202)	18,434
	15,400	15,198	(202)	18,434
Total revenues	7,902,429	8,476,806	574,377	6,562,448
<b>Expenditures</b>				
Administration:				
Salaries and employee benefits		572,628		219,624
Other operating expenditures		157,938		123,164
Capital outlay		35,718		-
	844,562	766,284	78,278	342,788
Water operations:				
Salaries and employee benefits		381,375		316,194
Other operating expenditures		1,265,919		988,044
Capital outlay		285,740		120,323
	2,139,912	1,933,034	206,878	1,424,561
Sewer operations:				
Salaries and employee benefits		457,632		380,692
Other operating expenditures		1,266,261		1,220,107
Capital outlay		138,913		61,359
	1,978,540	1,862,806	115,734	1,662,158
Water and sewer maintenance:				
Salaries and employee benefits		322,171		316,885
Other operating expenditures		216,427		171,830
Capital outlay		82,694		7,550
	820,783	621,292	199,491	496,265
Risk management:				
Other operating expenditures	421,425	401,980	19,445	277,055

**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, 2020**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2019**

(2 pages)

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Debt service:				
Interest and fees		\$ 240,158		\$ 259,049
Debt principal		881,980		865,000
Lease obligation payments		72,697		56,099
	<u>1,173,726</u>	<u>1,194,835</u>	<u>\$ (21,109)</u>	<u>1,180,148</u>
Total expenditures	<u>7,378,948</u>	<u>6,780,231</u>	<u>598,717</u>	<u>5,382,975</u>
Revenues over expenditures	<u>523,481</u>	<u>1,696,575</u>	<u>1,173,094</u>	<u>1,179,473</u>
<b>Other financing sources (uses)</b>				
Transfers to capital project funds	(671,584)	-	671,584	(90,604)
Proceeds from issuance of capital lease obligations	-	79,924	79,924	-
Total other financing sources (uses)	<u>(671,584)</u>	<u>79,924</u>	<u>751,508</u>	<u>(90,604)</u>
Revenues and other sources over expenditures and other uses	<u>(148,103)</u>	<u>1,776,499</u>	<u>1,924,602</u>	<u>1,088,869</u>
Fund balance appropriated	<u>148,103</u>	<u>-</u>	<u>(148,103)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,776,499</u>	<u>\$ 1,776,499</u>	<u>\$ 1,088,869</u>

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

Net change in fund balance	\$ 1,776,499
Net payments of long-term debt principal	881,980
Payment of capital lease obligation	72,697
Issuance of capital lease obligation	(79,924)
Grant revenue from Water and Sewer Capital Projects Funds	2,085,817
Capital outlay	543,065
Depreciation	(996,878)
Increase in accrued vacation pay	(25,605)
Decrease in unavailable grant revenue	149,913
Increase in net pension liability - LGERS	(70,151)
Decrease in deferred outflows of resources - pensions (LGERS)	(5,167)
Increase in deferred inflows of resources - pensions (LGERS)	(8,386)
Decrease in total OPEB liability	(2,902)
Increase in deferred outflows of resources - OPEB	1,482
Increase in deferred inflows of resources - OPEB	(11,076)
Decrease in interest expense accrual	15,268
Change in net position	<u>\$ 4,326,632</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, 2020**

	<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	<u>(600,000)</u>	<u>(477,111)</u>	<u>-</u>	<u>(477,111)</u>	<u>122,889</u>
Total other financing sources (uses)	<u>(204,000)</u>	<u>(196,739)</u>	<u>-</u>	<u>(196,739)</u>	<u>7,261</u>
Revenues and other financing sources over other uses	<u>\$ -</u>	<u>\$ 833</u>	<u>-</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, 2020**

	<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	<u>\$ 2,000,000</u>	<u>\$ 279,185</u>	<u>\$ 1,178,413</u>	<u>\$ 1,457,598</u>	<u>\$ (542,402)</u>
<b>Expenditures</b>					
Water and sewer:					
Construction	1,656,884	-	1,557,151	1,557,151	99,733
Engineering and design	273,720	216,345	31,954	248,299	25,421
Administration	150,000	72,075	74,080	146,155	3,845
Legal	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>2,090,604</u>	<u>288,420</u>	<u>1,663,185</u>	<u>1,951,605</u>	<u>138,999</u>
Revenues under expenditures	(90,604)	(9,235)	(484,772)	(494,007)	(681,401)
<b>Other financing sources</b>					
Transfers from Water and Sewer Fund	<u>90,604</u>	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>-</u>
Total other financing sources	<u>90,604</u>	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 81,369</u>	(484,772)	<u>\$ (403,403)</u>	<u>\$ (681,401)</u>
Fund balance, beginning of year, July 1			<u>81,369</u>		
Fund deficit, end of year, June 30			<u>\$ (403,403)</u>		

**Town of Siler City, North Carolina**  
**Capital Project Fund (CAM Water System Extension)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	<u>\$ 4,000,000</u>	<u>\$ 2,734,824</u>	<u>\$ 907,404</u>	<u>\$ 3,642,228</u>	<u>\$ (357,772)</u>
<b>Expenditures</b>					
Water and sewer:					
Construction	3,454,000	3,343,897	137,746	3,481,643	(27,643)
Administration - observation	140,000	126,700	13,300	140,000	-
Bid award - permits	20,000	20,585	-	20,585	(585)
Testing	28,000	-	-	-	28,000
Legal & administrative	50,000	-	-	-	50,000
Contingency	<u>308,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,000</u>
Total expenditures	<u>4,000,000</u>	<u>3,491,182</u>	<u>151,046</u>	<u>3,642,228</u>	<u>357,772</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (756,358)</u>	756,358	<u>\$ -</u>	<u>\$ -</u>
Fund deficit, beginning of year, July 1			<u>(756,358)</u>		
Fund balance, end of year, June 30			<u>\$ -</u>		

**Town of Siler City, North Carolina**  
**Capital Project Fund (Water Treatment Plant Improvements)**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	<u>\$ 2,352,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,352,513)</u>
<b>Expenditures</b>					
Water and sewer:					
Administration	20,000	3,000	-	3,000	17,000
Engineering and design	470,000	250,060	36,354	286,414	183,586
Construction	3,800,000	-	208,085	208,085	3,591,915
Loan and grant closing fee	81,725	-	-	-	81,725
Contingency	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,000</u>
Total expenditures	<u>4,751,725</u>	<u>253,060</u>	<u>244,439</u>	<u>497,499</u>	<u>4,254,226</u>
Revenues under expenditures	(2,399,212)	(253,060)	(244,439)	(497,499)	1,901,713
<b>Other financing sources</b>					
Transfers from Water and Sewer Fund	46,700	46,700	-	46,700	-
Proceeds from installment purchases	<u>2,352,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,352,512)</u>
Total other financing sources	<u>2,399,212</u>	<u>46,700</u>	<u>-</u>	<u>46,700</u>	<u>(2,352,512)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (206,360)</u>	<u>(244,439)</u>	<u>\$ (450,799)</u>	<u>\$ (450,799)</u>
Fund deficit, beginning of year, July 1			<u>(206,360)</u>		
Fund deficit, end of year, June 30			<u>\$ (450,799)</u>		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Wastewater Asset Inventory and Assessment)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
<b>Expenditures</b>					
Water and sewer:					
Engineering and design	\$ 140,000	\$ -	\$ 48,993	\$ 48,993	\$ 91,007
Software	10,000	-	3,302	3,302	6,698
Total expenditures	150,000	-	52,295	52,295	97,705
Revenues over expenditures	\$ -	\$ -	(52,295)	\$ (52,295)	\$ (52,295)
Fund balance, beginning of year, July 1			-		
Fund deficit, end of year, June 30			\$ (52,295)		

**Town of Siler City, North Carolina**  
**Capital Projects Fund (Water Asset Inventory and Assessment)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	<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	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,000)</u>
<b>Expenditures</b>					
Water and sewer:					
Engineering and design	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 44,924</u>	<u>\$ 44,924</u>	<u>\$ 50,076</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(44,924)</u>	<u>\$ (44,924)</u>	<u>\$ (44,924)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund deficit, end of year, June 30			<u>\$ (44,924)</u>		



**Town of Siler City, North Carolina**  
**Capital Projects Fund (Waste Water Treatment Plant Nutrient Removal Phase 1)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2020**

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grant proceeds	\$ 3,000,000	\$ -	\$ -	\$ -	\$ (3,000,000)
State grant proceeds	2,000,000	-	-	-	(2,000,000)
Chatham County match	750,000	-	-	-	(750,000)
Total revenues	<u>5,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,750,000)</u>
<b>Expenditures</b>					
Water and sewer:					
Construction	\$ 4,620,000	-	\$ -	\$ -	\$ 4,620,000
Engineering and design	608,586	-	20,886	20,886	587,700
Administration	30,000	-	84,043	84,043	(54,043)
Contingency	491,414	-	-	-	491,414
Total expenditures	<u>5,750,000</u>	<u>-</u>	<u>104,929</u>	<u>104,929</u>	<u>5,645,071</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(104,929)</u>	<u>\$ (104,929)</u>	<u>\$ (104,929)</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ (104,929)</u>		

**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, 2020**  
**With Comparative Amounts for the Fiscal Year Ended June 30, 2019**

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues:				
License plate agency fees	\$ 108,500	\$ 123,479	\$ 14,979	\$ 116,576
Notary fees	36,000	36,145	145	42,343
Other operating revenues	3,200	3,529	329	3,868
	<u>147,700</u>	<u>163,153</u>	<u>15,453</u>	<u>162,787</u>
<b>Expenditures</b>				
Operating expenditures:				
Salaries and employee benefits		133,697		119,102
Other operating expenditures		9,704		7,468
	<u>147,700</u>	<u>143,401</u>	<u>4,299</u>	<u>126,570</u>
Revenues over expenditures	<u>\$ -</u>	<u>19,752</u>	<u>\$ 19,752</u>	<u>\$ 36,217</u>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>				
Increase in accrued vacation pay		(1,308)		
Depreciation		(1,199)		
Decrease in net pension liability		268		
Decrease in deferred outflows of resources - pensions		(4,144)		
Increase in deferred inflows of resources - pensions		(515)		
Increase in total OPEB liability		(153)		
Increase in deferred inflows of resources - OPEB		(583)		
Change in net position		<u>\$ 12,118</u>		

***Supplementary Financial Data***

**Town of Siler City, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2020**

	<b>Uncollected Balance July 1, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 2,850,605	\$ 2,779,098	\$ 71,507
2018-2019	42,763		24,375	18,388
2017-2018	13,556		5,879	7,677
2016-2017	6,681		1,489	5,192
2015-2016	3,959		765	3,194
2014-2015	3,022		496	2,526
2013-2014	6,165		3,779	2,386
2012-2013	6,145		3,755	2,390
2011-2012	8,308		3,609	4,699
2010-2011	5,465		2,308	3,157
2009-2010	4,491		4,491	-
	<u>\$ 100,555</u>	<u>\$ 2,850,605</u>	<u>\$ 2,830,044</u>	121,116
Less allowance for uncollected taxes receivable General fund				<u>(36,000)</u>
Ad valorem taxes receivable, net				<u>\$ 85,116</u>
<b>Reconciliation with revenue:</b>				
Taxes				\$ 2,820,082
Penalties and interest				15,588
Taxes written off				4,491
Other adjustments				<u>(10,117)</u>
Total collections and credits				<u>\$ 2,830,044</u>

**Town of Siler City, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Year Ended June 30, 2020**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 524,226,852	\$ 0.54	\$ 2,830,825	\$ 2,574,535	\$ 256,290
Motor vehicles taxed at prior year's rate	-	0.51	-	-	-
Late list penalties	-		6,244	6,244	-
	<u>524,226,852</u>		<u>2,837,069</u>	<u>2,580,779</u>	<u>256,290</u>
Discoveries:					
Adjustments at current year's rate					
Taxes	2,623,137	0.51	13,378	13,378	-
Penalties	-		4,876	4,876	-
	<u>2,623,137</u>		<u>18,254</u>	<u>18,254</u>	<u>-</u>
	<u>526,849,989</u>		<u>2,855,323</u>	<u>2,599,033</u>	<u>256,290</u>
Abatements:					
Current year's rate	(873,704)	0.54	(4,718)	(4,718)	-
Prior year's rate	-	0.51	-	-	-
	<u>(873,704)</u>		<u>(4,718)</u>	<u>(4,718)</u>	<u>-</u>
Total property valuation	<u>\$ 525,976,285</u>				
Net levy			2,850,605	2,594,315	256,290
Uncollected taxes at June 30, 2020			<u>(71,507)</u>	<u>(71,507)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,779,098</u>	<u>\$ 2,522,808</u>	<u>\$ 256,290</u>
Percent of current year taxes collected			<u>97.49%</u>	<u>97.24%</u>	<u>100.00%</u>

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## ***Compliance Section***

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# 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, NC

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, 2020, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 15, 2021. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 questioned costs as items 2020-001 and 2020-002 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.



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

***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

***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, NC  
October 15, 2021



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

Honorable Mayor and  
Town Commissioners  
Siler City, NC

## Report on Compliance for the Major Federal Program

We have audited the Town of Siler City, North Carolina's ("Town") compliance with the types of compliance requirements described in the OMB *Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2020. The Town's major federal 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 federal programs.

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

Our responsibility is to express an opinion on compliance for the Town's major federal 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) and the State Audit Implementation Act. Those standards, and the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 federal program. However, our audit does not provide a legal determination on the Town's compliance.



### ***Opinion on Major Federal Program***

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

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

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

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

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

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

*Dixon Hughes Goodman LLP*

High Point, NC  
October 15, 2021



# Independent Auditors' Report on Compliance for Each 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, NC

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

We have audited the Town of Siler City, North Carolina's ("Town") 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 the Town's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Audit Implementation Act. Those standards and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



### ***Opinion on Each Major State Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

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

Management of the Town 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 internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. 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 the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

High Point, NC  
October 15, 2021

## 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 deficiency(s)        Yes   X   None reported

Noncompliance material to financial statements noted?

       Yes   X   No

#### *Federal Awards*

Internal control over major federal programs:

- Material weaknesses identified?        Yes   X   No
- Significant deficiency(s)        Yes   X   None reported
- Noncompliance material to federal awards?        Yes   X   No

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Section 200.516(a)?

       Yes   X   No

Identification of major federal program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

       Yes   X   No

**Town of Siler City, North Carolina  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2020**

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***State Awards***

Internal control over major state programs:

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

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**Name of State Program**

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- State Aid to Airports Program
- State Aid to Municipalities ("Powell Bill")

**II. Financial Statement Findings**

***Finding 2020-001: Internal Control over Financial Reporting***

Material Weakness

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

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

*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.

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2019-001.



**Town of Siler City, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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*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:

- Cash
- Capital outlays
- Capital lease proceeds
- 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.

***Finding 2020-002: 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, 2019-002.

*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.

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

**III. Findings and Questioned Costs Related to the Audit of Federal Awards**

No findings noted.

**IV. Findings and Questioned Costs Related to the Audit of State Awards**

No findings noted.



## Town of Siler City

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### CORRECTIVE ACTION PLAN

#### Financial Statement Findings

***Finding: 2020-001***

*Name of contact person:* Tina Stroupe, Finance Director

*Corrective action:* The Town has implemented processes and transitioned responsibilities within the department to ensure a timelier, progressive approach is taken for reconciliation and review of capital project liabilities, revenues and long-term debt.

*Proposed completion date:* 06/30/2021.

***Finding: 2020-002***

*Name of contact person:* Tina Stroupe, 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 as much as possible with limited staff. Also, a new software implementation will allow for additional support from operating system to track oversight by user processes.

*Proposed completion date:* 10/31/2021.



## Town of Siler City

Town of Siler City, North Carolina  
Summary Schedule of Prior Year's Audit Findings  
Year Ended June 30, 2020

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### Summary Schedule of Prior Year's Audit Findings

***Finding: 2019-001***

*Status:* The Town has a similar finding for the year ending 2020. See finding 2020-001.

***Finding: 2019-002***

*Status:* The Town has a similar finding for the year ending 2020. See finding 2020-002.

**Town of Siler City, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2020**

(3 pages)

<u>Grantor/Program Title</u>	<u>Federal CFDA/ State Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal grants:</b>				
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster:				
Passed through the NC Department of Transportation:				
Highway Planning and Construction (Federal Aid Highway Program):				
East Raleigh Street Sidewalk	20.205	51057.1.1	\$ 4,795	\$ -
Loves Creek Greenway	20.205	45521.3.F1	<u>21,358</u>	<u>5,340</u>
Total Highway Planning and Construction Cluster			<u>26,153</u>	<u>5,340</u>
Airport Improvement Program:				
Airfield Lighting Rehabilitation and Beacon Replacement	20.106	36237.5.14.1	39,752	-
Airport Landside Parking Rehabilitation	20.106	36237.5.15.1	<u>237,826</u>	<u>-</u>
Total Airport Improvement Program			<u>277,578</u>	<u>-</u>
Total Passed through NC Department of Transportation			<u>303,731</u>	<u>5,340</u>
Total U.S. Department of Transportation			<u>303,731</u>	<u>5,340</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the NC Department of Environmental Quality				
Community Development Block Grants:				
Wastewater Collection System Improvements	14.228	16-I-2927	<u>1,663,185</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,663,185</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Passed through the NC Department of Public Safety:				
Violence Against Women Formula Grants	16.588	N/A	<u>78,025</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>78,025</u>	<u>-</u>

**Town of Siler City, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2020**

**(3 pages)**

<u>Grantor/Program Title</u>	<u>Federal CFDA/ State Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00D72718	\$ 200,058	\$ -
Passed through the NC Department of Environmental Quality				
Capitalization Grants for Drinking Water State Revolving Funds:				
Water Treatment Plant Improvements	66.468	17.04006	107,451	-
Total Passed through NC Department of Environmental Quality			307,509	-
Total U.S. Environmental Protection Agency			307,509	-
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency:				
Passed through the NC Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
	97.036	FEMA-4393-DR-NC	76,343	-
Total U.S. Department of Homeland Security			76,343	-
<b>Total assistance - federal programs</b>			<b>2,428,793</b>	<b>5,340</b>
<b>State grants:</b>				
<u>NC Department of Transportation</u>				
Direct Programs				
Powell Bill	DOT-4	2000026581	-	288,043
State Aid to Airports				
Runway 4-22 Rehabilitation	DOT-8	36244.5.4.1	-	93,623
White Land Acquisition	DOT-8	36244.5.5.1	-	97,758
Total State Aid to Airports			-	191,381
Total NC Department of Transportation			-	479,424
<u>NC Department of Environmental Quality</u>				
Direct Programs				
NC Clean Water Revolving Loan and Grant Program				
Asset Inventory and Assessment for Sewer	DEQ-10	E-AIA-W-18-0130		52,295
Asset Inventory and Assessment for Water	DEQ-10	H-AIA-D-18-0127		44,924
Total NC Clean Water Revolving Loan and Grant Program			-	97,219
NC Drinking Water Revolving Loan and Grant Program				
Water Treatment Plant Improvements	DEQ-17	H-SRP-D-17-0076	-	107,451
Total NC Department of Environmental Quality			-	204,670

**Town of Siler City, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2020**

**(3 pages)**

<u>Grantor/Program Title</u>	<u>Federal CFDA/ State Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<u>Golden Leaf Foundation</u>				
Direct Programs				
Economic Catalyst Grant Program				
Wastewater Collection System Improvements	N/A	FY2016-182	\$ -	\$ 151,046
Wastewater Treatment Plant Improvements and Expansion	N/A	FY2018-071	-	41,972
Water Treatment Plant Improvements	N/A	FY2018-077	-	27,405
Total Golden Leaf Foundation			-	220,423
<b>Total assistance - state programs</b>			-	904,517
<b>Total assistance</b>			<u>\$ 2,428,793</u>	<u>\$ 909,857</u>

## **Notes to Schedule of Expenditures of Federal and State Awards**

### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Siler City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of 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. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

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

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

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