

TOWN OF JONESVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

TOWN COUNCIL

Gene Pardue, Mayor

Wayne Moore, Mayor Pro-Tem

Anita Darnell

Andy Green

Tracy Wall

Regina Adkins

Michael Pardue, Town Manager
Wendy Thompson, Finance Officer

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Town of Jonesville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 8 through 17 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 65 and 66, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 67 and 68, and the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios on page 69, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jonesville's basic financial statements. The introductory information, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and 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. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cannon & Company, S.L.P.

Winston-Salem, NC
January 3, 2019

FINANCIAL SECTION

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Management's Discussion and Analysis

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

Financial Highlights

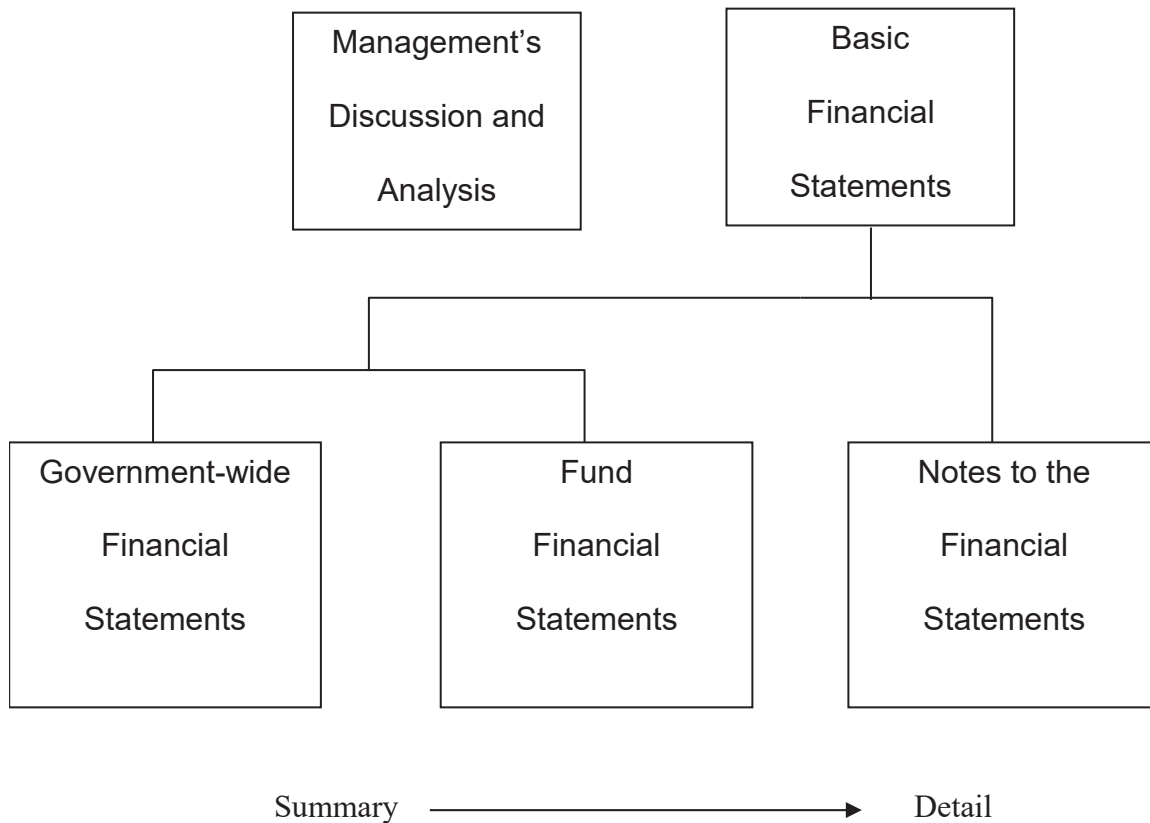
- The assets and deferred outflows of resources of the Town of Jonesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,930,179 (*net position*).
- The government's total net position *increased* by \$305,814, primarily due to increased water rates.
- As of the close of the current fiscal year, the Town of Jonesville's governmental funds reported a fund balance of \$1,374,238, an increase of \$271,700 in comparison with the prior year. Approximately 51.5 percent of this total amount, or \$708,312, is non-spendable or restricted. Approximately 5% of this total amount, or \$72,196 is assigned for subsequent year's USDA payments.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$593,730 or 38.86% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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 funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town of Jonesville and sewer services offered by the Yadkin Valley Sewer Authority but billed through the Town of Jonesville. The final category is the component unit. Although legally separate from the Town, the Tourism Development Authority is important to the Town. The Town of Jonesville exercises control over the Board by appointing its members.

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

Fund Financial Statements

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

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

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

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

Proprietary Funds – Town of Jonesville has one proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Jonesville uses enterprise funds to account for its water activity. This fund is 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 32-63 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the Town of Jonesville's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

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.

Government-Wide Financial Analysis

Town of Jonesville's Net position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,463,382	\$ 1,168,702	\$ 495,738	\$ 230,529	\$ 1,959,120	\$ 1,399,231
Capital assets	2,675,006	2,686,722	5,841,698	5,962,395	8,516,704	8,649,117
Deferred outflows of resources	143,742	221,834	33,420	55,459	177,162	277,293
Total assets and deferred outflows of resources	4,282,130	4,077,258	6,370,856	6,248,383	10,652,986	10,325,641
Current liabilities	90,451	42,978	103,172	90,909	193,623	133,887
Long-term liabilities	1,861,880	1,844,583	2,605,243	2,687,728	4,467,123	4,532,311
Deferred inflows of resources	51,336	18,896	10,725	3,721	62,061	22,617
Total liabilities and deferred inflows of resources	2,003,667	1,906,457	2,719,140	2,782,358	4,722,807	4,688,815
Net position:						
Net investment in capital assets	1,415,622	1,474,190	3,365,198	3,439,395	4,780,820	4,913,585
Restricted	708,312	677,858	-	-	708,312	677,858
Unrestricted	154,529	18,753	286,518	26,630	441,047	45,383
Total net position	\$ 2,278,463	\$ 2,170,801	\$ 3,651,716	\$ 3,466,025	\$ 5,930,179	\$ 5,636,826

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Jonesville exceeded liabilities by \$5,930,179 as of June 30, 2018. The Town net position increased by \$305,814 for the fiscal year ended June 30, 2018. However, the largest portion, 81%, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Jonesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Jonesville'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 of Jonesville's net position, \$708,312, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$441,047 is unrestricted.

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.22%. The statewide average in fiscal year 2018 was 98.78%.
- Water fund charges for services increased approximately 19.4% while related expenses only increased approximately 1.2%. This change was due to increased water rates and management of expenses.

Town of Jonesville Changes in Net position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 167,074	\$ 168,136	\$ 1,125,407	\$ 911,778	\$ 1,292,481	\$ 1,079,914
Operating grants and contributions	73,296	73,710	-	-	73,296	73,710
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	940,953	835,465	-	-	940,953	835,465
Other taxes	10,058	10,524	-	-	10,058	10,524
Grants and contributions not restricted to specific programs	585,650	577,907	-	-	585,650	577,907
Other	33,463	28,690	1,566	2,192	35,029	30,882
Total revenues	1,810,494	1,694,432	1,126,973	913,970	2,937,467	2,608,402
Expenses:						
General government	453,017	443,498	-	-	453,017	443,498
Public safety	673,179	674,252	-	-	673,179	674,252
Transportation	284,929	265,473	-	-	284,929	265,473
Environmental protection	167,528	163,144	-	-	167,528	163,144
Culture and recreation	32,622	27,492	-	-	32,622	27,492
Interest on long-term debt	53,048	53,851	-	-	53,048	53,851
Water and sewer	-	-	967,330	957,699	967,330	957,699
Total expenses	1,664,323	1,627,710	967,330	957,699	2,631,653	2,585,409
Increase in net position before transfers	146,171	66,722	159,643	(43,729)	305,814	22,993
Increase in net position	146,171	66,722	159,643	(43,729)	305,814	22,993
Beginning net position	2,170,801	2,104,079	3,466,025	3,509,754	5,636,826	5,613,833
Net position, beginning, restated	2,132,292	2,104,079	3,492,073	3,509,754	5,624,365	5,613,833
Net position, June 30	\$ 2,278,463	\$ 2,170,801	\$ 3,651,716	\$ 3,466,025	\$ 5,930,179	\$ 5,636,826

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Governmental activities. Governmental activities *increased* the Town's net position by \$146,171, thereby accounting for 47.8% of the total growth in the net position of the Town of Jonesville. Key elements of this increase are as follows:

- Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments.
- Property taxes and other taxes increased.

Business-type activities. Business-type activities increased the Town of Jonesville's net position by \$159,643, accounting for 52.2% of the total increase in the government's net position. Key elements of this change are as follows:

- Charges for service increased 19.4% over the prior fiscal year due to increased water rates.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Jonesville. At the end of the current fiscal year, Town of Jonesville's fund balance available in the General Fund was \$593,730, while total fund balance reached \$1,374,238. The Town currently has an available fund balance of 38.9% (compared to 26.9% in the prior year) of general fund expenditures, and total fund balance represents 89.9% of the same amount.

At June 30, 2018, the governmental funds of Town of Jonesville reported a combined fund balance of \$1,374,238 with a net increase in fund balance of \$271,700.

General Fund Budgetary Highlights: During the fiscal year, the town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. There were several reasons the Town revised its budget throughout the year. Expenditures were held in check overall to comply with the Town's budgetary requirements.

Proprietary Funds. The Town of Jonesville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Sewer Fund at the end of the fiscal year amounted to \$168,170, while total net position reached \$3,651,716. The total change in net position for the fund was \$159,643. The change in net position in the Water and Sewer Fund is a result of higher water rates and reduction of expenses as necessary. The Town currently has an unrestricted net position in the Water and Sewer Fund of 18.8% of Water and Sewer Fund operating expenses (compared to 3.0% in the prior year), and total fund balance represents 407.5% of the same amount.

Capital Asset and Debt Administration

Capital assets. The Town of Jonesville’s investment in capital assets for its governmental and business–type activities as of June 30, 2018, totals \$8,516,704 (net of accumulated depreciation). These assets include buildings, roads, land, machinery, equipment, and vehicles.

Town of Jonesville’s Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 833,454	\$ 833,454	\$ 72,530	\$ 72,530	\$ 905,984	\$ 905,984
Buildings and improvements	1,562,623	1,622,326	-	-	1,562,623	1,622,326
Plant and equipment	-	-	1,614,434	1,652,604	1,614,434	1,652,604
Machinery and equipment	69,414	78,757	-	-	69,414	78,757
Infrastructure	-	-	4,154,734	4,237,261	4,154,734	4,237,261
Vehicles and motorized equipment	209,515	152,185	-	-	209,515	152,185
Total	\$ 2,675,006	\$ 2,686,722	\$ 5,841,698	\$ 5,962,395	\$ 8,516,704	\$ 8,649,117

Additional information on the town’s capital assets can be found in note D of the Basic Financial Statements.

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Long-term Debt. As of June 30, 2018, the Town of Jonesville had total debt outstanding of \$3,735,884. Of this, \$66,000 is debt backed by the full faith and credit of the town. The remainder of the town’s debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

Town of Jonesville’s Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Construction loan	\$ 1,193,384	\$ 1,212,532	\$ -	\$ -	\$ 1,193,384	\$ 1,212,532
Installment purchase	66,000	-	-	-	66,000	-
General obligation bonds	-	-	77,500	84,000	77,500	84,000
Revenue bonds	-	-	2,399,000	2,439,000	2,399,000	2,439,000
OPEB	274,940	228,399	117,831	140,097	392,771	368,496
Compensated absences	68,961	35,574	26,413	16,448	95,374	52,022
Pension related debt (LGERS)	184,060	256,887	46,015	64,222	230,075	321,109
Pension related debt (LEO)	157,830	149,061	-	-	157,830	149,061
Total	\$ 1,945,175	\$ 1,882,453	\$ 2,666,759	\$ 2,743,767	\$ 4,611,934	\$ 4,626,220

The Town of Jonesville’s total debt decreased by \$14,286 during the past fiscal year primarily due to the pension related debt for LGERS.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Jonesville is \$16,618,838.

Additional information regarding the Town of Jonesville’s long-term debt can be found in note F of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the town.

- The Town’s business climate continues to be sluggish, with slow growth and limited new construction ongoing. However, management has witnessed an increase in prospective business inquiries over the past several months. While no concrete plans have yet to be announced, an increase in inquiries is a promising sign of possible future economic growth.

TOWN OF JONESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Property tax collections should remain steady.

We expect the General Fund expenditures to remain constant throughout the year.

Business Activities: The newly renovated water plant continues to perform within expectations. However, water quality in the Yadkin River has deteriorated to the point that it is negatively affecting the amount of time that the plant may be operated before operators have to “back wash” the filters. Back washing requires the use of finished water to clean the filters. This water must then be discharged to the waste water system, thereby “wasting” finished water that could otherwise have been sold as treated water. Also, the Town is actively seeking grant and/or low cost loan funding to address deferred maintenance on the water distribution system.

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 Michael Pardue, Town Manager, Town of Jonesville, 1503 NC 67 Hwy, Jonesville, NC 28642. One can also call (336) 835-3426 or visit our website www.jonesvillenc.gov.

BASIC FINANCIAL STATEMENTS

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Jonesville Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and equivalents	\$ 683,244	\$ 636,048	\$ 1,319,292	\$ 397,680
Cash and cash equivalents-restricted	69,262	2,708	71,970	-
Taxes receivables, net	58,309	-	58,309	-
Accrued interest receivable on taxes	23,681	-	23,681	-
Accounts receivable, net	26,007	349,429	375,436	29,774
Due from other governments	70,520	-	70,520	-
Due from other component units	3,848	-	3,848	-
Internal balances	528,511	(528,511)	-	-
Inventories	-	28,064	28,064	-
Prepaid items	-	8,000	8,000	1,249
Total current assets	<u>1,463,382</u>	<u>495,738</u>	<u>1,959,120</u>	<u>428,703</u>
Capital assets:				
Land, improvements, and construction in progress	833,454	72,530	905,984	-
Other capital assets, net of depreciation	1,841,552	5,769,168	7,610,720	-
Total capital assets	<u>2,675,006</u>	<u>5,841,698</u>	<u>8,516,704</u>	<u>-</u>
Total assets	<u>4,138,388</u>	<u>6,337,436</u>	<u>10,475,824</u>	<u>428,703</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>143,742</u>	<u>33,420</u>	<u>177,162</u>	<u>-</u>

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Jonesville Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	4,238	34,882	39,120	1,680
Accrued interest payable	2,918	4,066	6,984	-
Customer deposits	-	2,708	2,708	-
Due to other governments	-	-	-	3,848
Current portion of long-term liabilities	83,295	61,516	144,811	-
Total current liabilities	<u>90,451</u>	<u>103,172</u>	<u>193,623</u>	<u>5,528</u>
Long-term liabilities				
Net pension liability	184,060	46,015	230,075	-
Total pension liability	157,830	-	157,830	-
Total OPEB liability	274,940	117,831	392,771	-
Due in more than one year	1,245,050	2,441,397	3,686,447	-
Total liabilities	<u>1,952,331</u>	<u>2,708,415</u>	<u>4,660,746</u>	<u>5,528</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	10,162	-	10,162	-
Pension deferrals	22,598	2,764	25,362	-
OPEB deferrals	18,576	7,961	26,537	-
Total deferred inflows of resources	<u>51,336</u>	<u>10,725</u>	<u>62,061</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,415,622	3,365,198	4,780,820	-
Restricted for:				
Stabilization by State Statute	639,050	-	639,050	-
Streets	69,262	-	69,262	-
Unrestricted	154,529	286,518	441,047	423,175
Total net position	<u>\$ 2,278,463</u>	<u>\$ 3,651,716</u>	<u>\$ 5,930,179</u>	<u>\$ 423,175</u>

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Jonesville Tourism Development Authority	
Primary government:									
Governmental Activities:									
General government	\$ 453,017	\$ -	\$ -	\$ -	\$ (453,017)	\$ -	\$ (453,017)	\$ -	-
Public safety	673,179	1,259	-	-	(671,920)	-	(671,920)	-	-
Transportation	284,929	-	73,296	-	(211,633)	-	(211,633)	-	-
Environmental protection	167,528	165,815	-	-	(1,713)	-	(1,713)	-	-
Cultural and recreation	32,622	-	-	-	(32,622)	-	(32,622)	-	-
Interest on long-term debt	53,048	-	-	-	(53,048)	-	(53,048)	-	-
Total governmental activities	1,664,323	167,074	73,296	-	(1,423,953)	-	(1,423,953)	-	-
Business-type activities:									
Water & sewer fund	967,330	1,125,407	-	-	-	158,077	158,077	-	-
Total business-type activities	967,330	1,125,407	-	-	-	158,077	158,077	-	-
Total primary government	\$ 2,631,653	\$ 1,292,481	\$ 73,296	\$ -	\$ (1,423,953)	\$ 158,077	\$ (1,265,876)	\$ -	\$ -
Component unit:									
Tourism Development Authority	\$ 283,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(283,112)
Total component unit	\$ 283,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(283,112)
General revenues:									
Taxes:									
Property taxes, levied for general purposes					940,953	-	940,953	-	-
Other taxes and licenses					10,058	-	10,058	-	-
Unrestricted intergovernmental					585,650	-	585,650	-	-
Occupancy tax					-	-	-	-	327,602
Grants and contributions not restricted to specific programs					-	-	-	-	-
Unrestricted investment earnings					898	770	1,668	438	-
Miscellaneous					32,565	796	33,361	-	-
Total general revenues, special items, and transfers					1,570,124	1,566	1,571,690	328,040	-
Change in net position					146,171	159,643	305,814	44,928	-
Net position, beginning, previously reported					2,170,801	3,466,025	5,636,826	378,247	-
Restatement					(38,509)	26,048	(12,461)	-	-
Net position, beginning, restated					2,132,292	3,492,073	5,624,365	-	-
Net position, ending					\$ 2,278,463	\$ 3,651,716	\$ 5,930,179	\$ 423,175	\$ -

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

TOWN OF JONESVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 683,244	\$ 683,244
Restricted cash and cash equivalents	69,262	69,262
Receivables, net:		
Taxes	58,309	58,309
Accounts	26,007	26,007
Due from other governments	70,520	70,520
Due from other funds	528,511	528,511
Due from component unit	3,848	3,848
Total assets	<u>1,439,701</u>	<u>1,439,701</u>
LIABILITIES		
Accounts payable and accrued liabilities	7,156	7,156
Total liabilities	<u>7,156</u>	<u>7,156</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	48,145	48,145
Prepaid taxes	10,162	10,162
Total deferred inflows of resources	<u>58,307</u>	<u>58,307</u>
FUND BALANCE		
Restricted for:		
Stabilization by State Statute	639,050	639,050
Streets	69,262	69,262
Assigned:		
Subsequent year's USDA payments	72,196	72,196
Unassigned	593,730	593,730
Total fund balances	<u>1,374,238</u>	<u>1,374,238</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,439,701</u>	<u>\$ 1,439,701</u>

TOWN OF JONEVILLE, NORTH CAROLINA**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2018

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

Total fund balance, governmental funds		\$ 1,374,238
--	--	--------------

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

Gross capital assets at historical cost	\$ 4,144,783	
Accumulated depreciation	<u>(1,469,777)</u>	2,675,006

Deferred outflows of resources related to pensions are not reported in the funds		143,742
---	--	---------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		23,681
---	--	--------

Earned revenues considered deferred inflows of resources in fund statements		48,145
--	--	--------

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

Gross long-term debt	(1,259,384)	
Net pension liability	(184,060)	
Total pension liability	(157,830)	
OPEB liability	<u>(274,940)</u>	(1,876,214)

Deferred inflows of resources related to pensions are not reported in the funds		(22,598)
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Deferred inflows of resources related to OPEB are not reported in the funds		(18,576)
--	--	----------

Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(68,961)</u>
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Net position of governmental activities		<u><u>\$ 2,278,463</u></u>
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TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 930,188	\$ 930,188
Other taxes and licenses	10,058	10,058
Unrestricted intergovernmental	585,650	585,650
Restricted intergovernmental	73,296	73,296
Permits and fees	1,259	1,259
Sales and services	165,815	165,815
Investment earnings	898	898
Other revenues	30,586	30,586
Total revenues	<u>1,797,750</u>	<u>1,797,750</u>
EXPENDITURES		
Current:		
General government	398,778	398,778
Public safety	609,728	609,728
Transportation	260,167	260,167
Environmental protection	167,528	167,528
Culture and recreation	19,633	19,633
Debt service:		
Principal	18,345	18,345
Interest and other charges	53,851	53,851
Total expenditures	<u>1,528,030</u>	<u>1,528,030</u>
Excess of revenues over expenditures	<u>269,720</u>	<u>269,720</u>
OTHER FINANCING SOURCES (USES)		
Sales of capital assets	<u>1,980</u>	<u>1,980</u>
Total other financing sources(uses)	<u>1,980</u>	<u>1,980</u>
Net change in fund balances	271,700	271,700
Fund balances-beginning	<u>1,102,538</u>	<u>1,102,538</u>
Fund balances - ending	<u>\$ 1,374,238</u>	<u>\$ 1,374,238</u>

TOWN OF JONESVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 271,700

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

Capital outlay expenditures which were capitalized	\$ 99,671	
Depreciation expense for governmental assets	<u>(111,387)</u>	(11,716)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	48,245
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	10,300
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	10,765

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

New long-term debt issued	(66,000)	
Principal payments on long-term debt	18,345	
Change in accrued interest payable	<u>807</u>	(46,848)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	(33,386)	
Pension expense	(76,281)	
OPEB plan expense	<u>(26,608)</u>	<u>(136,275)</u>

Total changes in net position of governmental activities	<u><u>\$ 146,171</u></u>
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TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 859,002	\$ 859,002	\$ 930,188	\$ 71,186
Other taxes and licenses	10,280	10,280	10,058	(222)
Unrestricted intergovernmental	575,850	571,976	585,650	13,674
Restricted intergovernmental	74,500	74,500	73,296	(1,204)
Permits and fees	1,234	1,234	1,259	25
Sales and service	165,150	165,150	165,815	665
Investment earnings	400	400	898	498
Other revenue	17,200	21,074	30,586	9,512
Total revenues	<u>1,703,616</u>	<u>1,703,616</u>	<u>1,797,750</u>	<u>94,134</u>
EXPENDITURES				
Current:				
General government	430,995	433,377	398,778	34,599
Public safety	703,500	703,500	609,728	93,772
Transportation	305,225	303,225	260,167	43,058
Environmental protection	166,000	167,618	167,528	90
Cultural and recreation	31,000	29,000	19,633	9,367
Debt service:				
Principal retirement	18,345	18,345	18,345	-
Interest and other charges	53,851	53,851	53,851	-
Total expenditures	<u>1,708,916</u>	<u>1,708,916</u>	<u>1,528,030</u>	<u>180,886</u>
Revenue over (under) expenditures	<u>(5,300)</u>	<u>(5,300)</u>	<u>269,720</u>	<u>275,020</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>5,300</u>	<u>5,300</u>	<u>1,980</u>	<u>(3,320)</u>
Total other financing sources and uses	<u>5,300</u>	<u>5,300</u>	<u>1,980</u>	<u>(3,320)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>271,700</u>	<u>\$ 271,700</u>
Fund balances, beginning			<u>1,102,538</u>	
Fund balances, ending			<u>\$ 1,374,238</u>	

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

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds	
	Water Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 636,048	\$ 636,048
Accounts receivable, net - billed	130,403	130,403
Accounts receivable, net - unbilled	52,415	52,415
Other accounts receivable	36,636	36,636
Due from Yadkin Valley Sewer Authority	129,975	129,975
Inventories	28,064	28,064
Prepaid expenses	8,000	8,000
Restricted cash and cash equivalents	2,708	2,708
Total current assets	<u>1,024,249</u>	<u>1,024,249</u>
Noncurrent assets:		
Land, and other non- depreciable assets	72,530	72,530
Other capital assets, net of depreciation	5,769,168	5,769,168
Capital assets	<u>5,841,698</u>	<u>5,841,698</u>
Total non-current assets	<u>5,841,698</u>	<u>5,841,698</u>
Total assets	<u>\$ 6,865,947</u>	<u>\$ 6,865,947</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension deferrals	<u>\$ 33,420</u>	<u>\$ 33,420</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,948	\$ 38,948
General obligation bonds payable-current	6,500	6,500
Revenue bonds payable-current	42,000	42,000
Due to other funds	528,511	528,511
Compensated absences-current	13,016	13,016
Liabilities payable from restricted assets:		
Customer deposits	2,708	2,708
Total current liabilities	<u>631,683</u>	<u>631,683</u>
Noncurrent liabilities:		
Compensated absences	13,397	13,397
General obligation bonds	71,000	71,000
Revenue bonds	2,357,000	2,357,000
Net pension liability	46,015	46,015
Total OPEB liability	<u>117,831</u>	<u>117,831</u>
Total noncurrent liabilities	<u>2,605,243</u>	<u>2,605,243</u>
Total liabilities	<u>\$ 3,236,926</u>	<u>\$ 3,236,926</u>
DEFERRED INFLOW OF RESOURCES		
Pension deferrals	\$ 2,764	\$ 2,764
OPEB deferrals	7,961	7,961
Total deferred inflows of resources	<u>\$ 10,725</u>	<u>\$ 10,725</u>
NET POSITION		
Net investment in capital assets	\$ 3,365,198	\$ 3,365,198
Assigned:		
Subsequent year's USDA payments	118,348	118,348
Unrestricted	168,170	168,170
Total net position	<u>\$ 3,651,716</u>	<u>\$ 3,651,716</u>

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Enterprise Funds	
	Water Fund	Total
OPERATING REVENUES		
Charges for services	\$ 934,069	\$ 934,069
Other operating revenues	192,134	192,134
Total operating revenues	<u>1,126,203</u>	<u>1,126,203</u>
OPERATING EXPENSES		
Administration	18,250	18,250
Water treatment and distribution	688,464	688,464
Waste collection and treatment	39,287	39,287
Depreciation and amortization	150,056	150,056
Total operating expenses	<u>896,057</u>	<u>896,057</u>
Operating income	<u>230,146</u>	<u>230,146</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	770	770
Interest on long-term debt	<u>(71,273)</u>	<u>(71,273)</u>
Total non-operating revenue (expenses), net	<u>(70,503)</u>	<u>(70,503)</u>
Change in net position	159,643	159,643
Total net position, previously reported	3,466,025	3,466,025
Beginning net position, restated	<u>3,492,073</u>	<u>3,492,073</u>
Total net position, ending	<u>\$ 3,651,716</u>	<u>\$ 3,651,716</u>

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 909,864	\$ 909,864
Cash paid for goods and services	(465,865)	(465,865)
Cash paid to or on behalf of employees for services	(249,435)	(249,435)
Other operating revenues	192,134	192,134
Customer deposits returned	(473)	(473)
Net cash provided by operating activities	<u>386,225</u>	<u>386,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase in due to other funds	<u>29,565</u>	<u>29,565</u>
Total cash flows provided by noncapital financing activities	<u>29,565</u>	<u>29,565</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bond maturities and notes payable	(46,500)	(46,500)
Interest paid on bond maturities and notes payable	(71,273)	(71,273)
Net cash used by capital and related financing activities	<u>(117,773)</u>	<u>(117,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(29,359)	(29,359)
Earnings on investments	770	770
Net cash used by investing activities	<u>(28,589)</u>	<u>(28,589)</u>
Net increase in cash and cash equivalents	269,428	269,428
Balances, beginning of the year	369,328	369,328
Balances, end of the year	<u>\$ 638,756</u>	<u>\$ 638,756</u>

TOWN OF JONESVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	\$ 230,146	\$ 230,146
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	150,056	150,056
Changes in assets, deferred outflows of resources, and liabilities:		
Increase in accounts receivable	(31,546)	(31,546)
Increase in inventory	(5,141)	(5,141)
Decrease in prepaid items	4,000	4,000
Decrease in due from other governments	7,341	7,341
Decrease in deferred outflows of resources-pensions	22,039	22,039
Decrease in net pension liability	(18,207)	(18,207)
Decrease in deferred inflows of resources-pensions	(957)	(957)
Increase in accounts payable and accrued liabilities	7,259	7,259
Decrease in customer deposits	(473)	(473)
Increase in deferred inflows of resources - OPEB	7,961	7,961
Increase in OPEB liability	3,782	3,782
Increase in accrued vacation	9,965	9,965
Total adjustments	<u>156,079</u>	<u>156,079</u>
Net cash provided by operating activities	<u>\$ 386,225</u>	<u>\$ 386,225</u>

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Jonesville and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Jonesville is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financials 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.

Jonesville Tourism Development Authority

The members of the Jonesville Tourism Development Authority's governing board are appointed by the Town. The Jonesville Tourism Development Authority (the Authority) receives revenue through a six percent occupancy tax, which is levied and collected by the Town of Jonesville. The Town remits the taxes collected to the Authority, net of administration and collection costs not to exceed three percent of collections up to \$500,000, and one percent thereafter. The Authority, which has a June 30 year-end, is presented as if it were a governmental fund. Complete financial statements of the authority may be obtained from the Town of Jonesville, 1503 NC 67 Hwy, Jonesville, NC 28642.

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. The statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for the enterprise fund includes 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The governing board must approve all amendments. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted Assets

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

Town of Jonesville Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 69,262
Total governmental activities		<u>\$ 69,262</u>
Business-type Activities		
Water Fund		
	Customer deposits	\$ 2,708
Total Business-type Activities		<u>\$ 2,708</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowances for Doubtful Accounts

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

Inventory

The inventory of the Town is valued at the lower of cost (first-in, first-out) or market. The Town's Enterprise Fund inventory consists of materials and supplies held for subsequent use. The costs of these is expensed when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

The town has elected not to report general infrastructure assets retroactively.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40-50 years
Improvements	15-20 years
Equipment	4-15 years
Vehicles	5-10 years

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 one item that meets this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – prepaid taxes, property taxes receivable and pension deferrals.

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.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours 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 within the fund as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave 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.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund types classify fund balances as follows:

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

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Jonesville’s employer contributions are recognized when due and the Town of Jonesville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE B – DEPOSITS

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

At June 30, 2018, the Town's deposits had a carrying amount of \$1,390,262 and a bank balance of \$1,480,398. Of the bank balance \$250,000 was covered by the federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$1,000.

The carrying amount of deposits for the Tourism Authority was \$397,679 and the bank balance was \$405,608. Of the bank balance \$250,000 was covered by the federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2018, the Town had \$2,213 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE C – RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

General Fund - taxes receivable	\$ 6,639
Enterprise Fund - accounts receivable	<u>15,650</u>
 Total	 <u><u>\$ 22,289</u></u>

NOTE D – CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 833,454	\$ -	\$ -	\$ 833,454
Total capital assets not being depreciated	<u>833,454</u>	<u>-</u>	<u>-</u>	<u>833,454</u>
Capital assets being depreciated:				
Buildings and improvements	2,304,415	-	-	2,304,415
Equipment	353,527	5,998	-	359,525
Vehicles	578,281	93,673	24,565	647,389
Total capital assets being depreciated	<u>3,236,223</u>	<u>99,671</u>	<u>24,565</u>	<u>3,311,329</u>
Less accumulated depreciation for:				
Buildings and improvements	682,089	59,703	-	741,792
Equipment	274,770	15,341	-	290,111
Vehicles	426,096	36,343	24,565	437,874
Total accumulated depreciation	<u>1,382,955</u>	<u>111,387</u>	<u>24,565</u>	<u>1,469,777</u>
Total capital assets being depreciated, net	<u>1,853,268</u>			<u>1,841,552</u>
Governmental activity capital assets, net	<u><u>\$ 2,686,722</u></u>			<u><u>\$ 2,675,006</u></u>

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE D – CAPITAL ASSETS (CONTINUED)

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

General government	\$ 44,129
Public safety	35,702
Public works	18,562
Cultural and recreational	12,994
Total depreciation expense	<u>\$ 111,387</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 72,530	\$ -	\$ -	\$ 72,530
Total capital assets not being depreciated	<u>72,530</u>	<u>-</u>	<u>-</u>	<u>72,530</u>
Capital assets being depreciated:				
Plant and Equipment	3,477,667	19,771	-	3,497,438
Water Plant	4,605,718	9,588	-	4,615,306
Total capital assets being depreciated	<u>8,083,385</u>	<u>29,359</u>	<u>-</u>	<u>8,112,744</u>
Less accumulated depreciation for:				
Plant and Equipment	1,825,063	57,941	-	1,883,004
Water Plant	368,457	92,115	-	460,572
Total accumulated depreciation	<u>2,193,520</u>	<u>150,056</u>	<u>-</u>	<u>2,343,576</u>
Total capital assets being depreciated, net	<u>5,889,865</u>			<u>5,769,168</u>
Water and Sewer fund capital assets, net	<u>5,962,395</u>			<u>5,841,698</u>
Business-type activity capital assets, net	<u>\$ 5,962,395</u>			<u>\$ 5,841,698</u>

Discretely presented component unit

Activity for the Tourism Authority for the year ended June 30, 2018 was as follows:

Capital assets being depreciated:				
Equipment	\$ 56,861	\$ -	\$ -	\$ 56,861
Total capital assets being depreciated	<u>56,861</u>	<u>-</u>	<u>-</u>	<u>56,861</u>
Less accumulated depreciation for				
Equipment	55,489	1,372	-	56,861
Total accumulated depreciation	<u>55,489</u>	<u>1,372</u>	<u>-</u>	<u>56,861</u>
Capital assets being depreciated, net	<u>\$ 1,372</u>			<u>\$ -</u>

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Jonesville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Jonesville's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.68% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Jonesville were \$61,868 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$230,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.01506%, which was a decrease of 0.00007% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$76,239. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources related to pensions from the following sources:

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,254	\$ 6,513
Changes of assumptions	32,858	-
Net difference between projected and actual earnings on pension plan investments	55,863	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,258	7,306
Town contributions subsequent to the measurement date	61,868	-
Total	<u>\$ 167,101</u>	<u>\$ 13,819</u>

\$61,868 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,220
2020	67,178
2021	33,073
2022	(18,057)
2023	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 690,691	\$ 230,075	\$ (154,393)

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Jonesville 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.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>10</u>
Total	<u><u>11</u></u>

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 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.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$9,954 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a liability of \$157,830. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$16,539. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,543
Changes of assumptions	13,338	3,277
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 13,338</u>	<u>\$ 14,820</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (402)
2020	(402)
2021	(402)
2022	(402)
2023	(4)
Thereafter	130

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 178,253	\$ 157,830	\$ 139,553

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

	2018
Beginning balance	\$ 149,061
Service cost	11,033
Interest on the total pension liability	5,562
Changes of benefit terms	-
Differences between expected and actual experience in the measurements of the total pension liability	(13,685)
Changes in assumptions or other inputs	15,813
Benefit payments	(9,954)
Other changes	-
Ending balance of the total pension liability	<u>\$ 157,830</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 76,239	\$ 16,539	\$ 92,778
Pension liability	230,075	157,830	387,905
Proportionate share of the net pension liability	0.01506%	n/a	
Deferred outflow of resources			
Differences between expected and actual experience	13,254	-	13,254
Changes in assumptions	32,858	13,338	46,196
Net difference between projected and actual earnings on plan investments	55,863	-	55,863
Changes in proportion and differences between contributions and proportionate share of contributions	3,258	-	3,258
Benefit payments and administrative costs paid subsequent to the measurement date	61,868	-	61,868
Deferred inflows of resources			
Differences between expected and actual experience	6,513	11,543	18,056
Changes of assumptions	-	3,277	3,277
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,306	-	7,306

Supplemental Retirement Income Plan for Law Enforcement Officers

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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 \$14,736 for the reporting year. No amounts were forfeited.

Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Health Benefits plan (the HCB Plan). The plan provides post-retirement healthcare benefits to retirees of the Town provided they have at least 15 years of service with the Town and attain age 55 when they retire. The Town contributes toward the cost of this insurance for 12 years or until age 67, whichever comes first as follows:

For retirees who have completed 25 years of service, the Town will pay 100% of the premium for the cost of medical insurance until the employee reaches age 65.

For retirees who have completed 20 years of service, the Town will pay 75% of the cost of medical insurance until the employee reaches age 65.

For retirees who have completed 15 years of service, the Town will pay 50% of the cost of medical insurance until the employee reaches age 65.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration cost. These expenditures are paid as they come due. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

Retirees and dependents receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>17</u>
Total	<u><u>19</u></u>

Total OPEB Liability

The Town’s total OPEB liability of \$392,771 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation for general employees
	3.50 to 7.35 percent, including inflation for law enforcement
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare - 7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023
	Medicare - 5.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020

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

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

Changes in the Total OPEB Liability

	2018
Balance at July 1, 2017	\$ 397,224
Changes for the year	
Service cost	29,830
Interest	11,719
Changes of benefit terms	-
Differences between expected and actual experience	(3,264)
Changes in assumptions or other inputs	(26,811)
Benefit payments	(15,927)
Net changes	(4,453)
Balance at June 30, 2018	<u>\$ 392,771</u>

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 443,100	\$ 392,771	\$ 349,075

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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

	1% Decrease (Pre- Medicare 6.50% for 2017, Medicare- 4.50% for 2017)	Discount Rate (Pre- Medicare 7.50% for 2017, Medicare 5.50% for 2017)	1% Increase (Pre- Medicare 8.50% for 2017, Medicare 6.50% for 2017)
Total OPEB liability	\$ 338,190	\$ 392,771	\$ 459,767

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$38,011. At June 30, 2018, the Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,880)
Changes of assumptions	-	(23,657)
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (26,537)</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (3,538)
2020	(3,538)
2021	(3,538)
2022	(3,538)
2023	(3,538)
Thereafter	(8,847)

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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 month’s salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflow of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 61,868
Differences between expected and actual experience	13,254
Changes of assumptions	42,919
Net difference between projected and actual earnings on pension plan investments	55,863
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,258
Total	<u><u>\$ 177,162</u></u>

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE E – PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (CONTINUED)

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 10,162	\$ 10,162
Taxes receivable (General Fund)	-	48,145
Changes in assumptions	23,657	-
Differences between expected and actual experience	20,936	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,306	-
Total	\$ 62,061	\$ 58,307

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Town carries commercial insurance for all other risks of loss including flood and earthquake. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are individually bonded for \$10,000. The Town’s finance officer also acts as the finance officer for the Jonesville Tourism Development Authority and is individually bonded for \$50,000.

NOTE F - LONG TERM OBLIGATIONS

Construction Financing – Town Hall

The Town has \$1,193,384 outstanding under a construction loan on the Town Hall and Welcome Center facility. The USDA has pledged to provide installment financing over 40 years at 4.375% interest. The obligation is due in annual installments of \$72,196. The current portion due is \$19,985. The Town also has \$66,000 outstanding for a new police car purchased in 2018. The loan is paid back in three annual payments of \$23,361 for the first two years and \$23,344 for the final payment.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE F - LONG TERM OBLIGATIONS (CONTINUED)

Annual debt service payments of the financing as of June 30, 2018, including \$976,651 of interest, are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 41,421	\$ 54,136	\$ 95,557
2020	42,801	52,756	95,557
2021	44,395	51,145	95,540
2022	22,725	49,471	72,196
2023	23,719	48,477	72,196
2024-2028	135,101	225,879	360,980
2029-2033	167,355	193,625	360,980
2034-2038	207,310	153,670	360,980
2039-2043	256,804	104,176	360,980
2044-2048	317,753	43,226	360,979
	<u>\$ 1,259,384</u>	<u>\$ 976,561</u>	<u>\$ 2,235,945</u>

At June 30, 2017, the Town had a legal debt margin of \$16,618,838.

The Town's installment construction financing serviced by the governmental funds was for the Town Hall and Welcome Center. The Town's installment purchase also serviced by the governmental funds was for the purchase of a public safety vehicle. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water system and which are being retired by its resources are reported as long-term debt in the Water Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

General Obligation Bonds – Serviced by the Water Fund

\$175,000 Water bonds due in annual principal installments of \$3,500 through June 2007, increasing in increments of \$500 to a maximum of \$8,000 in 2008 to 2028, with a final payment of \$1,000 due in June of 2029, with annual interest payment due on June 1, at an annual interest rate of 5.00%.

\$ 77,500

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE F - LONG TERM OBLIGATIONS (CONTINUED)

The future minimum payments of the general obligation bonds as of June 30, 2018 are as follows:

	Business-type Activities General Obligation Bonds	
	Principal	Interest
2019	\$ 6,500	\$ 3,875
2020	7,000	3,550
2021	7,500	35,200
2022	7,500	2,825
2023	8,000	2,450
2024-2029	<u>41,000</u>	<u>6,300</u>
	<u>\$ 77,500</u>	<u>\$ 54,200</u>

Revenue Bonds – Serviced by the Water Fund

\$2,590,000 Water bonds due in annual principal installments of \$37,000, beginning in June 2014, increasing in increments of \$1,000 to \$3,000 per year to a maximum payment of \$104,000 in 2053, with annual interest payment due on June 1, at an annual interest rate of 4.75%.

\$ 2,399,000

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE F - LONG TERM OBLIGATIONS (CONTINUED)

The future minimum payments of the revenue bonds as of June 30, 2018 are as follows:

	Business-type Activities Revenue Bonds	
	Principal	Interest
2019	\$ 42,000	\$ 65,973
2020	43,000	64,818
2021	44,000	63,635
2022	45,000	62,425
2023	46,000	61,188
2024-2028	252,000	286,110
2029-2033	289,000	249,480
2034-2038	331,000	207,515
2039-2043	380,000	159,363
2044-2048	433,000	104,280
2049-2053	494,000	41,415
	<u>\$ 2,399,000</u>	<u>\$ 1,366,202</u>

The Town is in compliance with covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2013. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110% of net revenues. The debt service coverage ratio calculation for the year ended June 30, 2018 is as follows:

Operating revenues	\$ 1,126,203
Operating expenses	896,057
Operating income	<u>230,146</u>
Nonoperating revenues (expenses)*	<u>(3,430)</u>
Income available for debt service	<u>\$ 226,716</u>
Debt service, principal and interest paid (revenue bond only)	\$ 107,073
Debt service coverage ratio	212%

*This does not include revenue bond interest paid of \$67,073.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE F - LONG TERM OBLIGATIONS (CONTINUED)

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,590,000 in water and sewer system revenue bonds issued in 2014. Proceeds from the bonds provided financing for certain improvements in the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2053. The total principal and interest remaining to be paid on the bonds is \$2,399,000. Principal and interest paid for the current year and total net revenues were \$107,073 and \$226,716, respectively.

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Construction financing	\$ 1,212,532	\$ -	\$ 19,148	\$ 1,193,384	\$ 19,985
Installment purchase	-	66,000	-	66,000	21,436
Compensated absences	35,574	33,387	-	68,961	41,874
Total OPEB liability	228,399	46,541	-	274,940	-
Net pension liability (LGERS)	256,887	-	72,827	184,060	-
Total pension liability (LEO)	149,061	8,769	-	157,830	-
Governmental activity long-term liability	<u>\$ 1,882,453</u>	<u>\$ 154,697</u>	<u>\$ 91,975</u>	<u>\$ 1,945,175</u>	<u>\$ 83,295</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Business-type Activities:					
General obligation bonds	\$ 84,000	\$ -	\$ 6,500	\$ 77,500	\$ 6,500
Revenue bonds	2,439,000	-	40,000	2,399,000	42,000
Total OPEB liability	140,097	-	22,266	117,831	-
Compensated absences	16,448	9,965	-	26,413	13,016
Net pension liability	64,222	-	18,207	46,015	-
Water fund long-term liabilities	<u>\$ 2,743,767</u>	<u>\$ 9,965</u>	<u>\$ 86,973</u>	<u>\$ 2,666,759</u>	<u>\$ 61,516</u>

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE G – INTERFUND BALANCES AND ACTIVITY

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

Due to the General Fund for advances to:

Water Fund	<u><u>\$ 528,511</u></u>
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Advances to the Water Fund from the General Fund began in 2012 in order to fund operations as the Water Fund was not self-sufficient. No set repayment terms were established. Currently, the Town is working to insure that the Water Fund operates without further assistance from the General Fund and that plans are made for the repayment of the balance owed. The interfund balances resulted from the time lag between the dates the (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.

NOTE H - FUND BALANCE

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

Less:

Stabilization by State Statute	639,050
Streets-Powell Bill	69,262
Assigned-Subsequent year's USDA payments	72,196
Remaining Fund Balance	<u><u>\$ 593,730</u></u>

NOTE I – JOINTLY GOVERNMENT ORGANIZATIONS

Piedmont Triad Regional Council

The Town, in accordance with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board.

Yadkin Valley Sewer Authority

The Yadkin Valley Sewer Authority (YVSA) was formed on April 19, 2006 by the Town of Jonesville (Yadkin County), Town of Elkin (Surry County) and Town of Ronda (Wilkes County) under authority established by Article 1 of Chapter 162A of the General Statutes of North Carolina.

TOWN OF JONESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE I – JOINTLY GOVERNMENT ORGANIZATIONS (CONTINUED)

The Authority is governed by a five-member board of directors, whose members are appointed by each of the Towns. In accordance with the YVSA's bylaws, the Jonesville Town Council appoints two members, the Elkin Town Council appoints two members and the Ronda Town Council appoints one member.

The Authority's purpose will be to maintain and operate a sewer treatment facility and to maintain the sewer collection systems in each of the Towns. During the prior fiscal year, the Town transferred the sewer capital assets of the Town to the Authority. The Authority did not assume the loan that was connected with these assets, but will be reimbursing the Town for their yearly loan payments.

NOTE J – RELATED ORGANIZATION

The Town in conjunction with the Town of Elkin formed the Yadkin Valley ABC Board. The Board is composed of five members, two appointed by the Town of Jonesville and three appointed by the Town of Elkin. The Town is not financially accountable for the Yadkin Valley ABC Board. Audited financial statements are available at the Yadkin Valley ABC Board, 150 Brandywine Circle Elkin, North Carolina 28621.

NOTE K – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE L – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). As a result, net position for the government activities decreased \$38,509. Net position for business-type activities increased \$26,048.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability

**TOWN OF JONESVILLE, NORTH CAROLINA
TOWN OF JONESVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION**

Last Five Fiscal Years*

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Jonesville's proportion of the net pension liability (asset) (%)	0.01506%	0.01513%	0.01389%	0.01332%	0.01510%
Jonesville's proportion of the net pension liability (asset) (\$)	\$ 230,075	\$ 321,109	\$ 62,338	\$ (78,554)	\$ 182,013
Jonesville's covered payroll	\$ 869,479	\$ 898,978	\$ 822,534	\$ 816,481	\$ 880,313
Jonesville's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	26.46%	35.72%	7.58%	-9.62%	20.68%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF JONESVILLE, NORTH CAROLINA
TOWN OF JONESVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
 Last Five Fiscal Years

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 61,868	\$ 66,925	\$ 57,731	\$ 58,031	\$ 55,600
Contributions in relation to the contractually required contribution	61,868	66,925	57,731	58,031	55,600
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Jonesville's covered-employee payroll	\$ 796,663	\$ 869,479	\$ 898,978	\$ 822,534	\$ 816,481
Contributions as a percentage of covered-employee payroll	7.77%	7.70%	6.42%	7.06%	6.81%

TOWN OF JONESVILLE, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 June 30, 2018

Law Enforcement Officers' Special Separation Allowance

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 149,061	\$ 139,626
Service cost	11,033	12,637
Interest on the total pension liability	5,562	4,924
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement	(13,685)	-
Changes of assumptions or other inputs	15,813	(4,747)
Benefit payments	(9,954)	(3,379)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 157,830</u>	<u>\$ 149,061</u>

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

TOWN OF JONESVILLE, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 June 30, 2018

Law Enforcement Officers' Special Separation Allowance	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 157,830	\$ 149,061
Covered payroll	376,867	436,903
Total pension liability as a percentage of covered payroll	41.88%	34.12%

Notes to the schedules:

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

TOWN OF JONESVILLE, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 June 30, 2018

Total OPEB Liability

	<u>2018</u>
Service cost	\$ 29,830
Interest	11,719
Changes of benefit terms	-
Differences between expected and actual experience	(3,264)
Changes of assumptions	(26,811)
Benefit payments	<u>(15,927)</u>
Net change in total OPEB liability	(4,453)
Total OPEB liability - beginning	<u>397,224</u>
Total OPEB liability - ending	<u><u>\$ 392,771</u></u>
Covered payroll	494,376
Total OPEB liability as a percentage of covered payroll	79.45%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2018	3.01-3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF JONESVILLE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Ad valorem taxes:			
Taxes		\$ 925,654	
Interest and penalties		4,534	
Total	<u>\$ 859,002</u>	<u>930,188</u>	<u>\$ 71,186</u>
Other taxes and licenses:			
Beverage tax distributions		9,758	
Permits and fees		300	
Total	<u>10,280</u>	<u>10,058</u>	<u>(222)</u>
Unrestricted intergovernmental:			
Local option sales taxes		369,926	
Utility franchise taxes		166,840	
Video franchise fee		5,178	
Tourism authority reimbursement		36,000	
ABC profit distribution		2,917	
Other reimbursements		4,789	
Total	<u>571,976</u>	<u>585,650</u>	<u>13,674</u>
Restricted intergovernmental:			
Powell Bill allocation		73,296	
Total	<u>74,500</u>	<u>73,296</u>	<u>(1,204)</u>
Permits and fees:			
Building, sign and zoning		694	
Ticket fees		565	
Total	<u>1,234</u>	<u>1,259</u>	<u>25</u>
Sales and services:			
Garbage collection fees		165,365	
Recreation department fees		450	
Total	<u>165,150</u>	<u>165,815</u>	<u>665</u>
Investment earnings	<u>400</u>	<u>898</u>	<u>498</u>
Other revenue:			
Miscellaneous		30,586	
Total	<u>21,074</u>	<u>30,586</u>	<u>9,512</u>
TOTAL REVENUES	<u>1,703,616</u>	<u>1,797,750</u>	<u>94,134</u>

TOWN OF JONESVILLE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
EXPENDITURES:			
General government:			
Governing body:			
Board member compensation		8,935	
Operating expenses		1,712	
Total		<u>10,647</u>	
Administration:			
Salaries and employee benefits		227,806	
Professional services		10,041	
Operating expenses		23,584	
Reimbursement-water and sewer fund		(18,250)	
Utilities reimbursement - Tourism Development Authority		(12,000)	
Total		<u>231,181</u>	
Public buildings:			
Utilities		20,426	
Operating expenses		26,675	
Total		<u>47,101</u>	
Non-departmental:			
General insurance and bonds		53,705	
Economic development		200	
Code enforcement		15,000	
Other expenses		40,944	
Total		<u>109,849</u>	
Total general government	<u>433,377</u>	<u>398,778</u>	<u>34,599</u>
Public safety:			
Police:			
Salaries and employee benefits		502,063	
Vehicle maintenance		30,800	
Operating expenses		40,653	
Capital outlay		29,932	
Total	<u>696,350</u>	<u>603,448</u>	<u>92,902</u>

TOWN OF JONESVILLE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire:			
Operating expenses		6,280	
Total	<u>7,150</u>	<u>6,280</u>	<u>870</u>
Total public safety	<u>703,500</u>	<u>609,728</u>	<u>93,772</u>
Transportation:			
Streets:			
Salaries and employee benefits		123,210	
Street lights		36,096	
Operating expenses		24,076	
Total	<u>204,150</u>	<u>183,382</u>	<u>20,768</u>
Streets-Powell Bill:			
Salaries and employee benefits		50,923	
Annual paving and patching		23,768	
Operating expenses		2,094	
Total	<u>99,075</u>	<u>76,785</u>	<u>22,290</u>
Total transportation	<u>303,225</u>	<u>260,167</u>	<u>43,058</u>
Environmental protection:			
Solid waste:			
Garbage collection service		138,621	
Recycling user fees		28,907	
Total environmental protection	<u>167,618</u>	<u>167,528</u>	<u>90</u>
Culture and recreation:			
Parks and recreation		5,080	
Library		14,450	
Capital outlay		103	
Total culture and recreation	<u>29,000</u>	<u>19,633</u>	<u>9,367</u>

TOWN OF JONESVILLE, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-

BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt service:			
Principal retirement		18,345	
Interest and other charges		53,851	
Total debt service	<u>72,196</u>	<u>72,196</u>	-
TOTAL EXPENDITURES	<u>1,708,916</u>	<u>1,528,030</u>	180,886
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,300)</u>	<u>269,720</u>	275,020
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	<u>5,300</u>	<u>1,980</u>	(3,320)
Total other financing sources and uses	<u>5,300</u>	<u>1,980</u>	(3,320)
Net change in fund balance	<u>\$ -</u>	271,700	<u>\$ 271,700</u>
Fund balances, beginning		1,102,538	
Fund balances, ending		<u>\$ 1,374,238</u>	

TOWN OF JONESVILLE, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non - GAAP)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Water sales:			
Residential, commercial and industrial		\$ 934,069	
Other operating revenues		192,134	
TOTAL OPERATING REVENUES	<u>\$ 923,663</u>	<u>1,126,203</u>	<u>\$ 202,540</u>
Nonoperating revenues:			
Interest on investments		770	
	<u>351</u>	<u>770</u>	<u>419</u>
TOTAL REVENUES	<u>924,014</u>	<u>1,126,973</u>	<u>202,959</u>
EXPENDITURES:			
Water administration	<u>21,540</u>	<u>18,250</u>	<u>3,290</u>
Water treatment and distribution:			
Salaries and employee benefits		252,566	
Chemicals and supplies		77,716	
Maintenance		18,631	
Utility service fees		56,024	
Other departmental expenses		288,304	
Total water treatment and distribution	<u>745,401</u>	<u>693,241</u>	<u>52,160</u>
Water collection and treatment:			
Other expenses	<u>39,300</u>	<u>39,287</u>	
Total water collection and treatment	<u>39,300</u>	<u>39,287</u>	<u>13</u>

TOWN OF JONESVILLE, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non - GAAP)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Interest costs		71,273	
Principal retirement		46,500	
	<u>117,773</u>	<u>117,773</u>	<u>-</u>
TOTAL EXPENDITURES	<u>924,014</u>	<u>868,551</u>	<u>55,464</u>
Revenues over expenditures	<u>\$ -</u>	<u>258,423</u>	<u>\$ (258,423)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:

Principal retirement	46,500
Capital outlay	29,359
Depreciation on Exhibit 8	(150,056)
Decrease in deferred outflows of resources-pensions	(22,039)
Decrease in net pension liability	18,207
Decrease in deferred inflows of resources-pensions	957
Increase in deferred inflows of resources-OPEB	(7,961)
Decrease in OPEB liability	(3,782)
Increase in accrued vacation pay	<u>(9,965)</u>

CHANGE IN NET POSITION	<u>\$ 159,643</u>
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Other Schedules

TOWN OF JONESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections And Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 939,169	\$ 913,030	\$ 26,139
2016-2017	18,047	-	10,855	7,192
2015-2016	4,533	-	1,482	3,051
2014-2015	3,106	-	948	2,158
2013-2014	4,131	-	743	3,388
2012-2013	4,749	-	793	3,956
2011-2012	4,034	-	575	3,459
2010-2011	3,018	-	307	2,711
2009-2010	4,017	-	246	3,771
2008-2009	2,470	-	9	2,461
2007-2008	3,240	-	9	3,231
2006-2007	3,439	-	9	3,430
	<u>\$ 54,784</u>	<u>\$ 939,169</u>	<u>\$ 929,006</u>	<u>64,947</u>
				<u>6,639</u>
				<u>\$ 58,308</u>
 <u>Reconciliation to revenues:</u>				
	Ad valorem taxes - General Fund			\$ 930,188
	Reconciling items:			
	Service fee			5,582
	Taxes written off			8,535
	Penalties and interest			(15,299)
			Total collections and credits	\$ 929,006

TOWN OF JONESVILLE, NORTH CAROLINA
GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
June 30, 2018

	Town-wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 209,177,778	0.50	\$ 941,300	\$ 817,588	\$ 123,712
Discoveries					
Current and prior years	43,333	0.50	195	195	-
Releases	<u>(516,889)</u>	0.50	<u>(2,326)</u>	<u>(2,326)</u>	<u>-</u>
Total property valuation	<u>\$ 208,704,222</u>				
Net levy			939,169	815,457	123,712
Unpaid (by taxpayer) at June 30, 2018			<u>(26,139)</u>	<u>(26,139)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 913,030</u>	<u>\$ 789,318</u>	<u>\$ 123,712</u>
Current levy collection percentage			<u>97.22%</u>	<u>96.79%</u>	<u>100.00%</u>