

# Town of Oak Ridge, North Carolina

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**Financial Statements**

**Year Ended June 30, 2018**

**DHG**  
DIXON HUGHES GOODMAN LLP



## Table of Contents

### Introductory Section

List of Principal Officials .....	i
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### Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3

### *Basic Financial Statements*

<u>Exhibit</u>	<b>Government-Wide Financial Statements:</b>	
1	Statement of Net Position .....	13
2	Statement of Activities .....	14
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Fund .....	15
4	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund .....	17
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	19
	<b>Notes to Financial Statements</b> .....	21

### *Required Supplementary Financial Data*

A-1	Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System .....	35
A-2	Schedule of Contributions - Local Government Employees' Retirement System.....	36

### *Individual Fund Schedules*

<u>Schedule</u>	<b>Government-Wide Financial Statements:</b>	
1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	38

### *Other Schedules*

2	Schedule of Ad Valorem Taxes Receivable.....	42
3	Analysis of Current Tax Levy .....	43

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# Town of Oak Ridge, North Carolina

## List of Principal Officials

### Mayor

Spencer Sullivan

### Council Members

Jim Kinneman

George McClellan

Doug Nodine

Ann Schneider

### Officials

Spencer Sullivan .....	Mayor
Jim Kinneman .....	Mayor Pro-Tem
Bill Bruce, AICP .....	Town Manager
Samuel K. Anders, CPA, MSA .....	Finance Officer
Sean Taylor .....	Planning Director
Terry Lannon .....	Parks and Recreation Director
J. Michael Thomas .....	Town Attorney
Sandra Smith .....	Town Clerk

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## **Independent Auditors' Report**

Honorable Mayor and Members of the Town Council  
Town of Oak Ridge  
Oak Ridge, North Carolina

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Oak Ridge, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' 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 misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining aggregate fund information of the Town of Oak Ridge as of June 30, 2018, and the 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, and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 3 through 9, 35 and 36, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Oak Ridge, North Carolina. The individual fund statement, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statement, 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 individual fund statement, budgetary schedules and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
October 31, 2018**

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

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

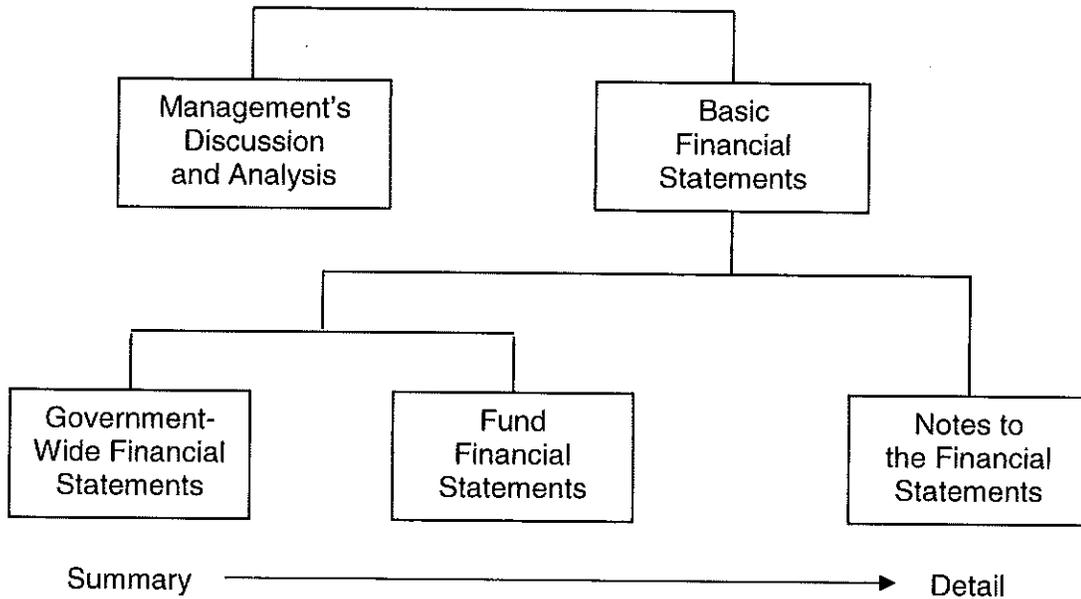
### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Oak Ridge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,782,038 (net position).
- The government's total net position increased by \$572,112, primarily due to increased revenues from intergovernmental taxes combined with stronger investment earnings, which exceeded the effect of decreased property tax collections caused by a lower tax rate than in prior years. Operating expenses were also below budgeted amounts primarily due to decreased General Government expenditures caused by the Town Manager position being unfilled for several months.
- As of the close of the current fiscal year, the Town of Oak Ridge's governmental fund reported a fund balance of \$3,685,021, an increase of \$565,656 in comparison with the prior year. The primary cause for this increase in funds was increased revenue collections coupled with operating expenditures being lower than expected. Also, previously planned capital improvements were tabled pending a reevaluation of capital needs and the adoption of a new strategic plan for the Town.
- The Town lowered its tax rate to 8.00 cents per hundred dollar tax valuation.

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

This Discussion and Analysis is intended to serve as an introduction to the Town of Oak Ridge'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 Oak Ridge.

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 5) 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 two parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town'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 comprised of governmental activities. The governmental activities include most of the Town's basic services, such as cultural and recreational, and general administration. Property taxes, charges for services, and unrestricted intergovernmental revenues finance most of these activities.

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

## Town of Oak Ridge, North Carolina Management's Discussion and Analysis

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### ***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 Oak Ridge, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Oak Ridge can be placed into one category: governmental funds.

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

The Town of Oak Ridge 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 Council 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 council; (2) the final budget as amended by the council; (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.

**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 21 through 32 of this report.

**Town of Oak Ridge, North Carolina  
Management's Discussion and Analysis**

**Government-Wide Financial Analysis  
The Town of Oak Ridge's Net Position  
Figure 2**

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,762,747	\$ 3,181,897	\$ 3,762,747	\$ 3,181,897
Capital assets	6,125,270	6,111,147	6,125,270	6,111,147
Deferred outflows of resources	<u>63,542</u>	<u>111,571</u>	<u>63,542</u>	<u>111,571</u>
Total assets and deferred outflows of resources	<u>9,951,859</u>	<u>9,404,615</u>	<u>9,951,859</u>	<u>9,404,615</u>
Long-term liabilities outstanding	164,433	123,610	164,433	123,610
Other liabilities	79,728	66,773	79,728	66,773
Deferred inflows of resources	<u>5,388</u>	<u>4,306</u>	<u>5,388</u>	<u>4,306</u>
Total liabilities and deferred inflows of resources	<u>249,549</u>	<u>194,689</u>	<u>249,549</u>	<u>194,689</u>
Net position:				
Net investment in capital assets	6,125,570	6,111,147	6,125,570	6,111,147
Restricted	200,468	196,364	200,468	196,364
Unrestricted	<u>3,456,000</u>	<u>2,902,415</u>	<u>3,456,000</u>	<u>2,902,415</u>
Total net position	<u>\$ 9,782,038</u>	<u>\$ 9,209,926</u>	<u>\$ 9,782,038</u>	<u>\$ 9,209,926</u>

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 Oak Ridge exceeded liabilities and deferred inflows by \$9,782,038 as of June 30, 2018. The Town's net position increased by \$572,112 for the fiscal year ended June 30, 2018. However, the largest portion (62.6%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery and equipment). The Town of Oak Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak Ridge's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay the 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 Oak Ridge's net position, \$200,468, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,456,000 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position: (1) the Town levied the minimum property tax for the 2017-2018 fiscal year that was projected to be sufficient to cover budgeted expenditures and was applied to an increased tax base; (2) the Town received increased intergovernmental tax revenues; (3) investment earnings were higher due to increased rates of return; and (4) actual expenditures were less than budgeted expenditures primarily due to tabling budgeted capital improvements for the adoption of a new strategic plan.

**Town of Oak Ridge, North Carolina  
Management's Discussion and Analysis**

**The Town of Oak Ridge Changes in Net Position  
Figure 3**

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Program revenues:				
Charges for services	\$ 77,638	\$ 86,524	\$ 77,638	\$ 86,524
Operating grants and contributions	12,087	5,242	12,087	5,242
Capital grants and contributions	8,266	-	8,266	-
General revenues:				
Property taxes	797,398	812,609	797,473	812,609
Other taxes	12,986	13,624	12,986	13,624
Grants and contributions not restricted to specific programs	745,347	719,627	745,347	719,627
Other	<u>28,556</u>	<u>16,378</u>	<u>28,556</u>	<u>16,378</u>
Total revenues	<u>1,682,278</u>	<u>1,654,004</u>	<u>1,682,278</u>	<u>1,654,004</u>
Expenses:				
General government	579,772	607,601	579,772	607,601
Cultural and recreational	530,394	512,322	530,394	512,322
Interest and fiscal charges	-	-	-	-
Total expenses	<u>1,110,166</u>	<u>1,119,923</u>	<u>1,110,166</u>	<u>1,119,923</u>
Increase in net position	572,112	534,081	572,112	534,081
Net position, July 1	<u>9,209,926</u>	<u>8,675,845</u>	<u>9,209,926</u>	<u>8,675,845</u>
Net position, June 30	<u>\$ 9,782,038</u>	<u>\$ 9,209,926</u>	<u>\$ 9,782,038</u>	<u>\$ 9,209,926</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$572,112, thereby accounting for the total increase in the net position of the Town of Oak Ridge. Key elements of this increase are as follows:

- Tax revenues increased due to the Town receiving increased intergovernmental revenues.
- Town expenditures were less than budgeted for 2017-2018.

**Financial analysis of the Town's funds**

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

**Governmental funds.** The focus of the Town of Oak Ridge'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 Oak Ridge's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Oak Ridge. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,572,842, while total fund balance reached \$3,685,021. The Town currently has an available fund balance of 312% of total General Fund expenditures.

At June 30, 2018, the governmental fund of the Town of Oak Ridge reported a combined fund balance of \$3,685,021, with an increase of \$565,656.

**Town of Oak Ridge, North Carolina  
Management's Discussion and Analysis**

**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.

General government expenditures were amended for adjustments to previous budgeted amounts as actual performance differed from the performance estimates used in budget preparation. In addition, capital expenditures were amended for the purchase of software and updated cost estimates for Phase IIB of park improvements.

Revenues were more than the budgeted amounts primarily because of increased income from continued small increases in the property tax base, much better than expected franchise and sales tax collections and increased investment earnings due to a slight increase in rates compared to prior year's rates. Planning, zoning, and inspection fee income from new construction increased this fiscal year due to new buildable lots being approved and entering construction. Expenditures were less than budgeted amounts due to continued tightening of operational expenditures and weather delays in capital improvements for Park Phase IIB.

**Capital asset and debt administration**

**Capital assets.** The Town of Oak Ridge's investment in capital assets for its governmental activities as of June 30, 2018, totals \$6,125,570 (net of accumulated depreciation). These assets include land, land improvements, buildings, and machinery and equipment.

Major capital asset transactions during the year include the following additions:

- Construction in Progress for the Walkway totaling \$20,550.
- Completion of construction of the Parking Lot in the amount of \$202,156.

**The Town of Oak Ridge's Capital Assets  
(Net of Depreciation)  
Figure 4**

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and other non-depreciable assets	\$ 1,920,439	\$ 2,006,985	\$ 1,920,439	\$ 2,006,985
Land improvements	2,286,552	2,154,124	2,286,552	2,154,124
Buildings and improvements	1,474,293	1,537,892	1,474,293	1,537,892
Computer, equipment, and software	13,294	10,059	13,294	10,059
Furniture, fixtures, equipment and vehicles	430,992	402,087	430,992	402,087
<b>Total</b>	<b>\$ 6,125,570</b>	<b>\$ 6,111,147</b>	<b>\$ 6,125,570</b>	<b>\$ 6,111,147</b>

Additional information on the Town of Oak Ridge's capital assets can be found in Note 2.A.4 of the Basic Financial Statements.

**Long-term debt.** As of June 30, 2018, the Town of Oak Ridge had no long-term obligations.

Additional information regarding the Town of Oak Ridge's long-term debt can be found in Note 2.B(4) beginning on page 31.

**Town of Oak Ridge, North Carolina  
Management's Discussion and Analysis**

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***Economic factors and next year's budgets and rates***

Budgets and rates for 2018-2019 were held essentially the same due to the strengthening economic environment that has been in effect since late 2007. Revenues have historically been driven by property tax increases based on new residential and some new commercial construction entering the tax base. In past fiscal years, these increases were at a rate which was sufficient to cover increased cost caused by increased demands for Town services. 2017-2018 was the first fiscal year where a reduced property tax rate reduced property tax collections below the prior year's collections. Increased intergovernmental tax collections coupled with increased investment revenues offset the small decrease in property taxes for the year and supported a net increase in tax revenues. Additional new construction is expected to enter the tax base in 2018-2019 to further bolster the tax base. This expectation is based on increased planning and zoning approvals made during 2017-2018 while allowing for normal construction times. Given these facts, the Town maintained the .800 tax rate for a second year. In order to hold the property tax rate while funding increased demands for services and capital projects, the Town has endeavored to continue to hold down expenditures for operations as much as prudently possible.

***Budget highlights for the fiscal year ending June 30, 2019***

**Governmental activities:** Due to increases in property taxes brought about by the completion of some property and stronger collections of intergovernmental taxes, the Town is expecting a 9.5% increase in budgeted revenue as compared to fiscal year 2017-2018. The Town will handle these increases in revenues by adding to the Town's fund balance, continuing to limit operational expenditures, and investigating ways of increasing investment returns.

Budgeted expenditures in the General Fund are expected to decrease 16% from the modified fiscal year 2017-2018 budget to \$1,740,464. Appropriation from Fund Balance in the adopted 2018-2019 budget is expected to be \$90,988.

***Requests for Information***

This report is designed to provide an overview of the Town of Oak Ridge'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 the Finance Officer, Samuel K. Anders, CPA, MSA, c/o Town of Oak Ridge, Post Office Box 374, Oak Ridge, North Carolina 27310, or by telephone at 336.643.7577, or by e-mail at sam@samanderscpa.com.

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## ***Basic Financial Statements***

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**Town of Oak Ridge, North Carolina**  
**Statement of Net Position**  
**June 30, 2018**

**Exhibit 1**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 3,537,955
Receivables:	
Taxes receivable, net	8,556
Accrued interest receivable, property taxes	2,866
Accounts receivable	5,412
Due from other governments	192,796
Restricted cash	<u>15,162</u>
Total current assets	<u>3,762,747</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	1,920,439
Other capital assets, net of depreciation	<u>4,205,131</u>
	<u>6,125,570</u>
Total assets	<u>9,888,317</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	<u>63,542</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	28,335
Current portion of long-term liabilities	13,424
Payable from restricted assets - performance bond deposits	12,902
Unearned revenue	<u>25,067</u>
	79,728
Noncurrent liabilities:	
Net pension liability	79,289
Due in more than one year	<u>5,416</u>
Total liabilities	<u>164,433</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	<u>5,388</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,125,570
Restricted for:	
Stabilization by state statute	198,208
Dog park	2,260
Unrestricted	<u>3,456,000</u>
Total net position	<u>\$ 9,782,038</u>

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

**Town of Oak Ridge, North Carolina**  
**Statement of Activities**  
**Year Ended June 30, 2018**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 579,772	\$ 40,616	\$ 8,811	\$ 8,266
Cultural and recreational	530,394	37,022	3,276	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total governmental activities	<u>\$ 1,110,166</u>	<u>\$ 77,638</u>	<u>\$ 12,087</u>	<u>\$ 8,266</u>
				<u>(1,012,175)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				797,398
Other taxes				12,986
Unrestricted intergovernmental				745,347
Investment earnings, unrestricted				28,556
Total general revenues				<u>1,584,287</u>
Change in net position				572,112
Net position, beginning				<u>9,209,926</u>
Net position, end of year				<u>\$ 9,782,038</u>

**Town of Oak Ridge, North Carolina  
Balance Sheet  
Governmental Fund  
June 30, 2018**

**Exhibit 3  
(2 pages)**

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,537,955	\$ 3,537,955
Restricted cash	15,162	15,162
Taxes receivable, net	8,556	8,556
Accounts receivable	5,412	5,412
Due from other governments	192,796	192,796
	<u>3,759,881</u>	<u>3,759,881</u>
Total assets	<u>\$ 3,759,881</u>	<u>\$ 3,759,881</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 15,490	\$ 15,490
Accrued liabilities	12,845	12,845
Payable from restricted assets - performance bond deposits	12,902	12,902
Unearned revenues - grants	25,067	25,067
	<u>66,304</u>	<u>66,304</u>
Total liabilities	<u>66,304</u>	<u>66,304</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Ad valorem taxes receivable	8,556	8,556
	<u>8,556</u>	<u>8,556</u>
Total deferred inflows of resources	<u>8,556</u>	<u>8,556</u>
<b>FUND BALANCE</b>		
Restricted for:		
Stabilization by state statute	198,208	198,208
Dog Park	2,260	2,260
Committed:		
Capital projects	1,820,723	1,820,723
Assigned:		
Subsequent year's expenditures	90,988	90,988
Unassigned	1,572,842	1,572,842
	<u>3,685,021</u>	<u>3,685,021</u>
Total fund balance	<u>3,685,021</u>	<u>3,685,021</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,759,881</u>	<u>\$ 3,759,881</u>

**Town of Oak Ridge, North Carolina**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2018**

**Exhibit 3**  
**(2 pages)**

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

Total fund balance, governmental funds	\$ 3,685,021
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,125,570
Deferred outflows of resources related to pensions are not reported in the funds	63,542
Liabilities for earned revenues considered deferred inflows of resources in fund statements	8,556
Accrued interest receivable from property taxes is not available to pay for current-period expenditures and, therefore, are deferred in the funds	2,866
Deferred inflows of resources related to pensions are not reported in the funds	(5,388)
Some liabilities, including compensated absences are not due and payable in the current period and, therefore are not reported in the funds	(18,840)
Net pension liability	<u>(79,289)</u>
Net position of governmental activities	<u><u>\$ 9,782,038</u></u>

**Town of Oak Ridge, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2018**

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
<b>Revenues</b>		
Ad valorem taxes	\$ 797,473	\$ 797,473
Other taxes and licenses	12,986	12,986
Unrestricted intergovernmental	745,347	745,347
Restricted intergovernmental	8,266	8,266
Permits and fees	73,733	73,733
Investment earnings	28,556	28,556
Miscellaneous	15,992	15,992
	<u>1,682,353</u>	<u>1,682,353</u>
Total revenues		
<b>Expenditures</b>		
General government	558,921	558,921
Cultural and recreational	557,776	557,776
	<u>1,116,697</u>	<u>1,116,697</u>
Total expenditures		
Revenues over expenditures	565,656	565,656
Fund balance, beginning of year	<u>3,119,365</u>	<u>3,119,365</u>
Fund balance, end of year	<u>\$ 3,685,021</u>	<u>\$ 3,685,021</u>

**Town of Oak Ridge, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2018**

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

**Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balance to the statement of activities:**

Total net change in fund balance - governmental funds	\$	565,656
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays (\$231,983) as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation (\$217,560) in the current period.		14,423
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.		22,943
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		(133)
Change in accrued interest receivable, property taxes		58
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension expense		(28,460)
Compensated absences		(2,375)
		<u>          </u>
Changes in net position of governmental activities	\$	<u>572,112</u>

**Town of Oak Ridge, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2018**

**Exhibit 5**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Ad valorem taxes	\$ 788,782	\$ 788,782	\$ 797,473	\$ 8,691
Other taxes and licenses	11,000	11,000	12,986	1,986
Unrestricted intergovernmental	632,654	632,654	745,347	112,693
Restricted intergovernmental	-	-	8,266	8,266
Permits and fees	68,698	68,698	73,733	5,035
Investment earnings	8,000	8,000	28,556	20,556
Miscellaneous	-	-	15,992	15,992
<b>Total revenues</b>	<u>1,509,134</u>	<u>1,509,134</u>	<u>1,682,353</u>	<u>173,219</u>
<b>Expenditures</b>				
General government	616,798	676,798	558,921	117,877
Cultural and recreation	1,429,735	1,399,291	557,776	841,515
<b>Total expenditures</b>	<u>2,046,533</u>	<u>2,076,089</u>	<u>1,116,697</u>	<u>959,392</u>
Revenues over (under) expenditures	(537,399)	(566,955)	565,656	1,132,611
Appropriation from fund balance	<u>537,399</u>	<u>566,955</u>	<u>-</u>	<u>(566,955)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	565,656	<u>\$ 565,656</u>
Fund balance, beginning of year			<u>3,119,365</u>	
Fund balance, end of year			<u>\$ 3,685,021</u>	

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## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Oak Ridge (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting entity

The Town of Oak Ridge is an incorporated town which is governed by a five-member town council. A mayor is elected by the members of the Town Council. For financial reporting purposes, the Town of Oak Ridge includes all funds, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Town.

#### B. Basis of presentation

**Government-wide statements:** The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund financial statements:** The fund financial schedules provide information about the Town's funds.

The Town reports the following major governmental fund:

**General Fund -** The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government and cultural and recreational services.

#### C. Measurement focus and basis of accounting

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

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

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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

**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 installment purchase agreements are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Generally, intergovernmental revenues and sales and services are not susceptible to accrual because they are not measurable until received in cash. Grant revenues which are unearned at year end are recorded as unearned revenues.

***D. Budgetary data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. 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. Amendments are required for all revisions and must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

***E. Assets, liabilities, deferred outflows/inflows of resources and fund equity***

(1) Deposits

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

(2) Restricted cash

Cash that represents donations that are restricted by donors for improvements to the dog park, as well as cash received for payments in lieu of obtaining performance bonds for ongoing construction projects which are held by the Town until satisfactory completion of the related obligations.

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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(3) Ad valorem taxes receivable

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

(4) Allowance for doubtful accounts

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

(5) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

	<u>Cost</u>
Land	\$ 100
Land improvements	500
Buildings and improvements	500
Vehicles, furniture and equipment	500

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at time of donation. The cost of normal maintenance and repairs that do not add to the value of

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

	<u>Useful Life</u>
Land improvements	7 to 40 years
Buildings and improvements	15 to 40 years
Computer equipment and software	3 to 5 years
Furniture, fixtures, equipment and vehicles	5 to 7 years

(6) Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial 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’s contributions made to the pension plan in the 2018 fiscal year meet this criterion. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has the following items that meet the criterion for this category - ad valorem taxes receivable, prepaid taxes, and pension deferrals.

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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(7) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In fund financial statements, the face amount of debt issued is reported as other financing sources.

(8) Compensated absences

The vacation policy of the Town provides for the accumulation of up to one year's earned vacation leave with such leave being fully vested when earned. The only exception to the terms of this vacation policy will be in the instance of the Town Council hiring an employee under an employment contract. In such an instance, the terms of the contract as negotiated and agreed to will govern the contracted employee's vacation leave. For the Town's government-wide activities, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

(9) Net position/fund balances

Net position in government-wide financial statements is 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 may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

*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 dog park* - portion of fund balance that is restricted by donors for improvements to the dog park.

*Committed fund balance* - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Oak Ridge'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.

*Committed for capital projects* - portion of fund balance that is set aside by the Board for capital projects.

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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*Assigned fund balance* - portion of fund balance that the Town of Oak Ridge intends to use for specific purposes.

*Assigned for subsequent year's expenditures* - Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town of Oak Ridge has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: installment proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and finally, unassigned fund balance. The Finance Officer has the authority to deviate from this policy, if it is in the best interest of the Town.

(10) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employee's 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**2. Detail Notes on All Funds**

**A. Assets**

(1) 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 noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$3,553,117 and a bank balance of \$3,584,259. Of the bank balance, \$719,772 was covered by federal depository insurance. The Town had \$100 of petty cash on hand at June 30, 2018.

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

(2) Receivables - allowance for doubtful accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2018 are net of the following allowance for doubtful accounts, which is based on historical percentages of receivables not expected to be collected:

General Fund:	
Taxes receivable	\$ <u>1,001</u>

(3) Due from other governments

Amounts due from other governments at June 30, 2018, consist of the following:

	<u>Other</u>	<u>State</u>	<u>Total</u>
General Fund:			
ABC distribution	\$ 31,240	\$ -	\$ 31,240
Sales tax refund	-	5,990	5,990
Property taxes	15,088	-	15,088
Utilities franchise, piped natural gas and telecommunication taxes	-	73,893	73,893
Local option sales tax	-	66,585	66,585
	<u>46,328</u>	<u>146,468</u>	<u>192,796</u>
Total General Fund	\$ <u>46,328</u>	\$ <u>146,468</u>	\$ <u>192,796</u>

(4) Capital assets

Capital asset activity 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 and other non-depreciable assets	\$ 2,006,985	\$ 63,141	\$ 149,686	\$ 1,920,439
Total capital assets not being depreciated	<u>2,006,985</u>	<u>\$ 63,141</u>	<u>\$ 149,686</u>	<u>1,920,439</u>
Capital assets being depreciated:				
Land improvements	2,667,377	\$ 227,878	\$ -	2,895,255
Buildings and improvements	2,144,332	-	-	2,144,332
Computer equipment and software	51,545	6,587	8,439	49,693
Furniture, fixtures, equipment and vehicles	793,742	84,064	-	877,806
Total capital assets being depreciated	<u>5,656,996</u>	<u>\$ 318,529</u>	<u>\$ 8,439</u>	<u>5,967,086</u>
Less accumulated depreciation for:				
Land improvements	513,253	\$ 95,450	\$ -	608,703
Buildings and improvements	606,440	63,599	-	670,039
Computer equipment and software	41,486	3,352	8,439	36,399
Furniture, fixtures, equipment and vehicles	391,655	55,159	-	446,814
Total accumulated depreciation	<u>1,552,834</u>	<u>\$ 217,560</u>	<u>\$ 8,439</u>	<u>1,761,955</u>
Total capital assets being depreciated, net	<u>4,104,162</u>			<u>4,205,130</u>
Governmental activity capital assets, net	<u>\$ 6,111,147</u>			<u>\$ 6,125,570</u>

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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

General government	\$ 59,379
Parks and recreation	<u>158,181</u>
	<u>\$ 217,560</u>

**B. Liabilities and deferred outflows/inflows of resources**

(1) Pension plan obligations

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

*Plan description.* The Town of Oak Ridge is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERs), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERs membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERs Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERs. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or [www.osc.nc.gov](http://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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERs Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2018, was 7.5% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$22,493 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.

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

**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 \$79,289 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 0.00519%, which was a slight decrease of 0.0006% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$28,460. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,568	\$ 2,244
Changes of assumptions	11,324	-
Net difference between projected and actual earnings on pension plan investments	19,252	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,455	3,144
Town contributions subsequent to the measurement date	<u>22,943</u>	<u>-</u>
Total	<u>\$ 63,542</u>	<u>\$ 5,388</u>

\$22,943 of the amount reported as deferred outflows of resources related to Town contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2019	\$ 6,515
2020	24,336
2021	11,053
2022	(6,693)
2023	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

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

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

**Town of Oak Ridge, North Carolina**  
**Notes to Financial Statements**

*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%, 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%) or one percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 238,027	\$ 79,289	\$ (53,207)

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

(2) Deferred outflows and inflows of resources

The Town has deferred outflows of resources, which are comprised of \$22,943 of current-year LGERS pension contributions and \$40,599 of pension deferrals.

The Town has deferred inflows of resources, which are comprised of pension deferrals of \$5,388.

Deferred inflows of resources for the General Fund at June 30, 2018, consists of unavailable revenues arising from property tax receivables of \$8,556.

(3) Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million and \$1 million per occurrence, respectively, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

The Town carries flood insurance through the Interlocal Risk Financing Fund of North Carolina. The Town has coverage of \$5,000,000 for a single occurrence and a \$5,000,000 annual aggregate limit.

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

**Town of Oak Ridge, North Carolina  
Notes to Financial Statements**

(4) Long-term obligations

(a) **Changes in long-term liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term obligations:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Current Portion of Balance</u>
Compensated absences	\$ 16,465	\$ 15,799	\$ 13,424	\$ 18,840	\$ 13,424
Net pension liability (LGERS)	122,883	-	43,594	79,289	-
Installment purchases	-	-	-	-	-
<b>Total</b>	<u>\$ 139,348</u>	<u>\$ 15,799</u>	<u>\$ 57,018</u>	<u>\$ 98,129</u>	<u>\$ 13,424</u>

Compensated absences have typically been liquidated in the General Fund.

(5) Long-term contract

The Town has a contract to lease a portion of the Town Park Maintenance Building to the Oak Ridge Youth Association, Inc. The lease term is for a period of ten years beginning in 2011 and the remaining lease payments are as follows:

<u>Fiscal Year Ending June 30</u>	
2019	\$ 2,000
2020	1,000
2021	<u>1,000</u>
	<u>\$ 4,000</u>

**C. Fund balance**

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

Total fund balance, General Fund	\$ 3,685,021
Less:	
Stabilization by state statute	198,208
Dog park	2,260
Capital projects	1,820,723
Appropriated fund balance in 2019 budget	<u>90,988</u>
Remaining fund balance, General Fund	<u>\$ 1,572,842</u>

**3. Jointly Governed Organization**

The Town, along with six other municipalities and Forsyth County, is a participating member of the Triad Municipal ABC Board. This organization was established under North Carolina Alcoholic Beverage laws to operate liquor stores. The Town of Oak Ridge appoints one member to a nine-member governing board. The Town also receives a portion of the income distributed by the Board. This distribution amounted to \$145,115 during the fiscal year ended June 30, 2018.

#### **4. Subsequent Events**

Effective July 16, 2018, the Town purchased approximately 53.8 acres of land to be used for future expansion of the town park, known as the Whitaker property. The agreed upon purchase price of the land was \$1,800,000, and the majority of the purchase was financed through a promissory note to the seller, Frank Whitaker, in the amount of \$1,620,000. In accordance with the promissory note, the Town shall pay nine annual installments of \$180,000 together with accrued interest at a rate of 6%, beginning July 16, 2019 and continuing annually thereafter until paid in full. The note may not be prepaid in full or in part at any time without the prior written consent of the seller. At the date of sale, the land purchased was being leased by the family of the Town's Finance Director, Samuel K. Anders, for farming purposes. As a condition to the purchases and sale agreement with the seller, the Town must continue leasing the land to Samuel K. Anders and family until such time as the land is needed for expansion of the park. Accordingly, effective July 16, 2018, the Town entered into a lease agreement with Samuel K. Anders and family. Under the terms of the lease agreement, the lessee may use the land for farming operations and hunting. The lessee must maintain the farm roads and maintain the look of the farm by keeping all of the open land in cultivation and by keeping all field edges, roads, and unused land mowed, and provide security by posting signs to discourage unauthorized trespassing, dumping and hunting, and shall check the property on regular and irregular schedules to discourage any illegal third-party activity thereon. The term of the lease is for one year at a rate of \$1 annually, and automatically renews for one-year terms annually thereafter on July 15<sup>th</sup>. Either party may terminate the lease at any time, subject to providing written notice upon no less than 30 days' notice prior to the effective date of the termination.

Effective July 5, 2018, the Town entered into a purchase and sale agreement for the purchase of a 3.7 acre property, which is adjacent to the Whitaker property, known as the McCandless property. The agreed upon purchase price was \$110,880.

Effective August 2, 2018, the Town entered into a contract for paving services at the town park in a total amount of \$110,580.

Effective September 6, 2018, the Town entered into a contract for septic tank improvements in a total amount of \$66,431.

### ***Required Supplementary Financial Data***

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

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**Town of Oak Ridge, North Carolina**  
**Schedule of Proportionate Share of Net Pension Liability (Asset)**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Five Fiscal Years\***

**Exhibit A-1**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Oak Ridge's proportion of the net pension liability (asset) (%)	<b>0.01%</b>	0.01%	0.00%	0.00%	0.00%
Oak Ridge's proportion of the net pension liability (asset) (\$)	<b>\$ 79,289</b>	\$ 122,883	\$ 23,786	\$ (23,943)	\$ 47,010
Oak Ridge's covered-employee payroll	<b>\$ 336,055</b>	\$ 341,124	\$ 335,912	\$ 239,364	\$ 222,563
Oak Ridge's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<b>23.59%</b>	36.02%	7.08%	-10.00%	-10.00%
Plan fiduciary net position as a percentage of the total pension liability	<b>94.18%</b>	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.*

**Town of Oak Ridge, North Carolina**  
**Schedule of Contributions**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Five Fiscal Years**

**Exhibit A-2**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	<b>\$ 22,943</b>	\$ 24,364	\$ 22,753	\$ 23,749	\$ 16,923
Contributions in relation to the contractually required contribution	<u>22,943</u>	<u>24,364</u>	<u>22,753</u>	<u>23,749</u>	<u>16,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Oak Ridge's covered-employee payroll	<b>\$ 305,907</b>	\$ 336,055	\$ 341,124	\$ 335,912	\$ 239,364
Contributions as a percentage of covered-employee payroll	<b>7.50%</b>	7.25%	6.67%	7.07%	7.07%

***Individual Fund Schedules***

**Town of Oak Ridge, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2018**

**Schedule 1**  
**(3 pages)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes:			
Taxes	\$ 788,782	\$ 797,473	\$ 8,691
Other taxes and licenses:			
Cable franchise fees	11,000	12,986	1,986
Unrestricted intergovernmental:			
Local option sales tax		254,406	
Utilities franchise tax		205,187	
Piped natural gas		20,067	
Telecommunication tax		20,063	
Local video programming		64,495	
Local ABC revenues		145,115	
Solid waste disposal tax		4,790	
Beer and wine excise tax		31,224	
Total	632,654	745,347	112,693
Restricted intergovernmental:			
Capital grants		8,266	
Total	-	8,266	8,266
Permits and fees:			
Inspection fee income	35,000	40,566	5,566
Park fees	33,698	33,167	(531)
Total	68,698	73,733	5,035
Investment earnings	8,000	28,556	20,556
Miscellaneous:			
Dog park donations		3,276	
Historic preservation committee donations		8,811	
Other		3,905	
Total	-	15,992	15,992
Total revenues	1,509,134	1,682,353	173,219

**Town of Oak Ridge, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2018**

**Schedule 1**  
**(3 pages)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
General government:			
Advertising		\$ 4,348	
Direct deposit fees		733	
Dues and subscriptions		21,632	
Education		5,880	
Equipment lease		2,333	
Historical committee		17,976	
Insurance - life		731	
Insurance - disability		576	
Insurance - health		45,779	
Insurance - liability		5,789	
Insurance - workers compensation		1,314	
Wages		183,811	
Miscellaneous expense		5,178	
Mileage reimbursement		2,661	
Office supplies		2,425	
Ordinance conversion		3,077	
Postage and delivery		505	
Professional fees		139,773	
Property maintenance		12,402	
Retirement contributions		17,512	
Security monitoring		300	
Taxes - Medicare		2,386	
Taxes - property		817	
Taxes - social security		10,203	
Taxes - unemployment		161	
Telephone		3,639	
Town Hall		4,574	
Travel and entertainment		1,047	
Utilities - electricity		17,093	
Utilities - web hosting fees		1,925	
Special events		1,774	
Capital outlay		40,567	
	<u>\$ 676,798</u>	<u>558,921</u>	<u>\$ 117,877</u>
Total general government			

**Town of Oak Ridge, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2018**

**Schedule 1**  
**(3 pages)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreation:			
Contributions to other agencies		\$ 5,797	
Wages		166,840	
Retirement contributions		14,785	
Insurance - life		762	
Insurance - disability		765	
Insurance - health		32,771	
Insurance - liability		5,449	
Insurance - workers compensation		3,260	
Operations and maintenance		106,256	
Taxes - Medicare		2,419	
Taxes - social security		10,344	
Taxes - unemployment		209	
Special events		18,373	
Capital outlay		189,746	
	<u>\$ 1,399,291</u>	<u>557,776</u>	<u>\$ 841,515</u>
Total cultural and recreation			
Total expenditures	<u>2,076,089</u>	<u>1,116,697</u>	<u>959,392</u>
Revenues over (under) expenditures	(566,955)	565,656	1,132,611
Appropriation from fund balance	<u>566,955</u>	-	<u>(566,955)</u>
Net change in fund balance	<u>\$ -</u>	565,656	<u>\$ 565,656</u>
Fund balance, beginning of year		<u>3,119,365</u>	
Fund balance, end of year		<u>\$ 3,685,021</u>	

### ***Other Schedules***

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Oak Ridge, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**General Fund**  
**Year Ended June 30, 2018**

**Schedule 2**

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2018</u>
Year of levy:				
2017 - 2018	\$ -	\$ 798,259	\$ 795,125	\$ 3,134
2016 - 2017	3,169	-	2,100	1,069
2015 - 2016	1,146	-	627	519
2014 - 2015	767	-	166	601
2013 - 2014	838	-	128	710
2012 - 2013	1,273	-	106	1,167
2011 - 2012	985	-	107	878
2010 - 2011	710	-	103	607
2009 - 2010	496	-	10	486
2008 - 2009	394	-	8	386
2007 - 2008	456	-	456	-
	10,234	<u>\$ 798,259</u>	<u>\$ 798,936</u>	9,557
Less allowance for uncollectible accounts:				
General Fund	<u>(1,545)</u>			<u>(1,001)</u>
	<u>\$ 8,689</u>			<u>\$ 8,556</u>
<b>Reconciliation with Revenues</b>				
Taxes - Ad Valorem - General Fund			\$ 797,473	
Reconciling items:				
Discounts, releases and refunds				<u>1,463</u>
Total collections and credits			<u>\$ 798,936</u>	

**Town of Oak Ridge, North Carolina**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**Year Ended June 30, 2018**

**Schedule 3**

	Town-Wide		Total Levy		
	Property Valuation*	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy Property taxed at current year's rate	<u>\$ 997,824,327</u>	<u>\$ 0.0800</u>	\$ 798,259	\$ 722,960	\$ 75,299
Net levy			798,259	722,960	75,299
Uncollected taxes at June 30, 2018			<u>(3,134)</u>	<u>(3,134)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 795,125</u>	<u>\$ 719,826</u>	<u>\$ 75,299</u>
Current levy collection percentage			<u>99.61%</u>	<u>99.57%</u>	<u>100.00%</u>

\* Property tax valuation prior to the discoveries and abatements

