



Comprehensive Annual Financial Report

City of Mebane, North Carolina

For the Year Ended June 30, 2018



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Prepared by
Jeanne Tate
Finance Director



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June 30, 2018

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October 31, 2018

The Honorable Mayor and
Members of the City Council
City of Mebane, North Carolina

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Mebane, North Carolina is submitted for your review and use. This report was prepared by the City's Finance Department, and it is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2018. The City, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

City management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information, City management has established a comprehensive framework of internal controls. Internal controls protect the City's assets from loss, theft and misuse and provide reliable information for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the City's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the City is required by state law to have an annual independent financial audit. Stout, Stuart, McGowen & King, LLP, conducted the audit and concluded in an unqualified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Mebane, North Carolina, as of June 30, 2018. The independent auditors' report on the basic financial statements is located at the beginning of the financial section of this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

The town was named for Brigadier General Alexander Mebane of the North Carolina Militia and a member of Congress in the 1790's. In 1855, the railroad arrived and Mebane was incorporated in 1881 as the town of Mebanesville. The name was officially changed to Mebane in 1883. The charter was amended to the City of Mebane in February of 1987. Also in 1881, Mebane's industrial growth began with establishment of the former White Furniture Company, followed by the Mebane Bedding Company (now Kingsdown) in 1904 and the Ridgeville Telephone Company (now Centurylink Communications) in 1907.



The City of Mebane is located in the Piedmont Triad Region of North Carolina, about 45 minutes west of Raleigh, the State capital, and 20 minutes east of Greensboro, the State's third largest city. The City has a land area of approximately nine and three quarter miles, and a population of 13,592. Mebane is the third largest of ten municipalities located on the eastern border of Alamance County. The City is located mostly in Alamance County, with about 10% of it in Orange County.

The City is governed by the council-manager form of government. Policy making and legislative authority are vested in the City Council, consisting of the mayor and five other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. Five members of the City Council and the Mayor are elected to four year staggered terms. The Council then selects the Mayor Pro-tem from within the Council membership.

The City provides a full range of services, including police and fire protection; the maintenance of streets and other infrastructure; planning and building inspections; solid waste and recycling services; water and sewer services; recreational and cultural activities; and a library. In the 1970's, the City of Mebane and the City of Graham began a joint venture to develop a single water supply for both cities. This intergovernmental cooperation led to the creation of the Graham-Mebane Lake, which supplies drinking water to both towns. The City of Graham operates the water treatment plant and manages all lake operations with one-third of the costs historically paid by the City of Mebane and two-thirds borne by the City of Graham. In FY15, Mebane entered into an agreement to increase to 50% its share of the water capacity. In FY17, Mebane entered into an agreement to buy 21.43% of Graham's sewer capacity.

The Mebane City Council is required to adopt a budget by July 1 of each year. The City is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Mebane's financial planning and control. The budget is prepared by fund and department. The City Manager is authorized by the budget ordinance to make transfers within funds to facilitate budget execution consistent with Council intent.

Local Economy

Nationally, the economy remains in recovery from the downturn of 2008, with a reduction in unemployment and continued slow growth in GDP, housing starts and major purchases amid uncertainty regarding global economic growth and stability in the wake of the national election and potential impacts on both policy and the marketplace. In North Carolina, residential investment and construction starts continue toward steady resumption of pre-recession levels. Throughout the slow growth over the past five to ten years, Mebane has continued to lead the county in homebuilding, and that trend is expected to continue. Inspections, permits and certificates of occupancy issued in 2018 continued to demonstrate strong growth. Retail sales also continued improvement, boosted by local consumer spending, a benefit of having a regional shopping destination like the Tanger Outlet.

Industrial development also continues in Mebane. Following on the recent years' additions of Morinaga, Walmart Distribution Center, Lidl Distribution Center and Prescient Companies, Lotus Bakeries expanded plans for the construction of their new facility now under construction, and in FY18 Airgas USA selected Mebane for a new facility. These facilities demonstrate Mebane's prime location on the Interstate 85/40 corridor that links two of the fastest growing metro areas on the East Coast. At one end, the Research Triangle Park region of Raleigh, Durham and Chapel Hill; at the other, the Piedmont Triad region of Greensboro, Winston-Salem and High Point. The City of Mebane is at the heart of this corridor, where the full resources of the region come together to create exceptional





opportunities for expanding and relocating companies in the nationally recognized N.C. Industrial Center, the new Buckhorn Economic Development Zone in Orange County, and the newly established North Carolina Commerce Park. Boasting over 3,000 acres between these three development areas, Mebane is poised for economic growth.

Long-Term Financial Planning and Major Initiatives

The City's 5-year Capital Improvement Plan (CIP) outlines the major capital purchases and capital project expenditures for the next five fiscal years while matching a conservative revenue source for payment. This document also describes the impact of the capital expenditures on the General Fund, Water and Sewer Fund, and the City finances as a whole. The City's long-range plans are committed to maintaining a strong financial position while providing the necessary capital improvements to continue its historically high level of services.

Major initiatives of the CIP include the continuation of improvements to the Graham-Mebane water plant necessary to comply with drinking water regulations and maintain capacity for a growing community, extension of services to the economic development zone, and the upgrade of the City's wastewater facility. Sidewalks and street resurfacing also continue to be priorities for the City, with a goal of resurfacing approximately two miles of streets annually to maintain an average surface life-cycle of twenty years, and the City's dedication to quality of life is reflected in the CIP's plans for parks, trails and other amenities, including the new City Park, under construction and opening soon.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mebane for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Mebane has received the award for the last six years. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We believe that by participating in the GFOA's Certificate of Achievement program, we will improve our transparency and disclosure to the citizens of Mebane.

The preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the City Council for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Mebane's finances.

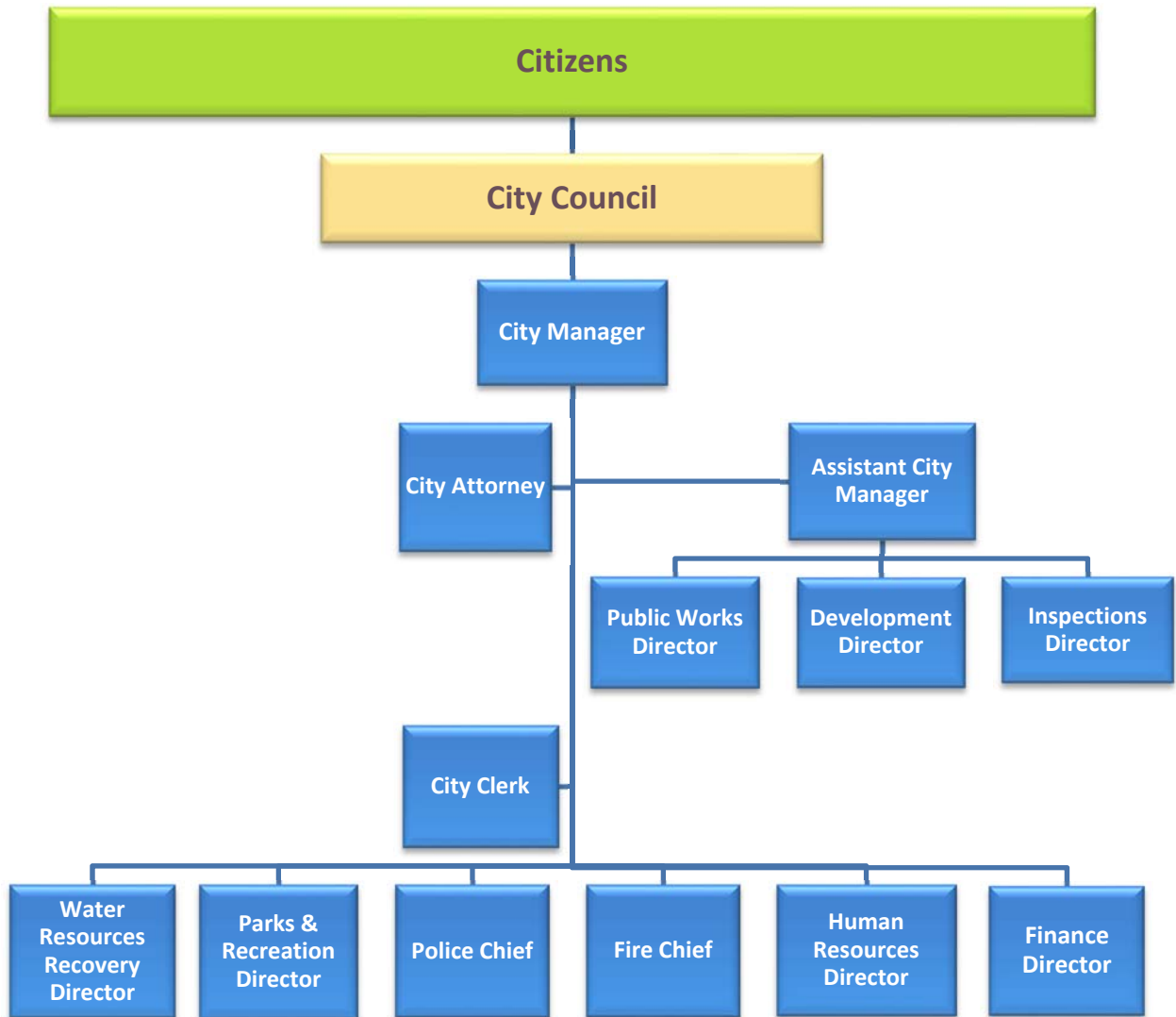
Respectfully submitted,

David S. Cheek

David S. Cheek, CPA
City Manager

Jeanne D. Tate

Jeanne D. Tate
Finance Director



Elected Officials

Glendel Stephenson	Mayor
Ed Hooks	Mayor Pro-Tem
Jill Auditori	Council Member
Tim Bradley	Council Member
Everette Greene	Council Member
Patricia Philipps	Council Member

Appointed Officials

David Cheek	City Manager
Chris Rollins	Assistant City Manager
Jeanne Tate	Finance Director
Lawson Brown	City Attorney
Stephanie Shaw	City Clerk
Terrence Caldwell	Police Chief
Bob Louis	Fire Chief
Wayne Pore	Public Works Director
Cy Stober	Development Director
Cliff Ayscue	Inspections Director
Dean Ray	Recreation and Parks Director
Dennis Hodge	Water Resources Recovery Director
Esther Bennett	Human Resources Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mebane
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



**STOUT
STUART
McGOWEN
& KING LLP**

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Public
Accountants*

*Advisors to
Management*

*Member of PCPS,
the AICPA Alliance
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Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Mebane
Mebane, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mebane, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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 an 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 opinion.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 5 through 12, respectively, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 58, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 53 and 54, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 55, 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 56 and 57, 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 inquires of management about the methods of preparing the information and comparing the

information for consistency with management's response 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 City of Mebane, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of the City of Mebane's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion in internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mebane's internal control over financial reporting and compliance.

STOUT STUART McGOWEN & KINGS, LLP

Burlington, NC

October 31, 2018



City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2018

As management of the City of Mebane, we offer readers of the financial statements this narrative overview and analysis of the City's financial activities 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 City's financial statements, which follow this narrative.

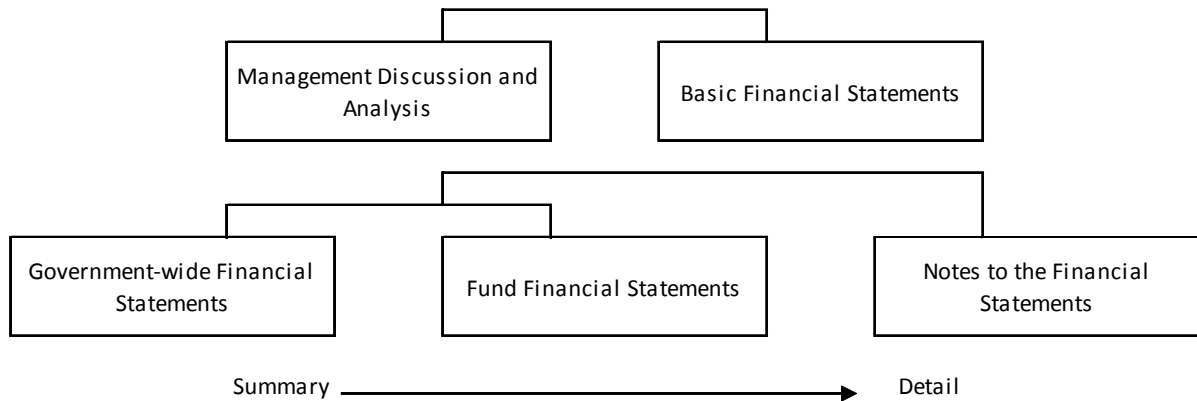
Financial Highlights

- The assets and deferred outflows of resources of the City of Mebane exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$96,051,647 (net position).
- The government's total net position increased by \$7,639,659, due to increases in the government type net position of \$4,270,732 and increases in the business type activities net position of \$3,368,927.
- As of the close of the current fiscal year, the City of Mebane's governmental funds reported combined ending fund balances of \$14,038,060, a decrease of \$5,502,596 in comparison with the prior year. Approximately 20.6 percent of this total amount, or \$2,889,524, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,563,514 or 43.2 percent 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 City's basic financial statements. The City'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 City 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 City of Mebane.

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 City's financial status.

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2018

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City 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.

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 City'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 City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City'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 City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City'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 City charges customers to provide. These include the water and sewer services offered by the City of Mebane.

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 City'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 City of Mebane, 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 City's budget ordinance. All of the funds of the City of Mebane can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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 City'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 City of Mebane 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2018

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 – The City of Mebane has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mebane uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mebane’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City 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

City of Mebane’s Net Position (Figure 2)

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Current and other assets.....	\$ 15,522,240	\$ 20,507,235	\$ 13,225,945	\$ 10,496,254	\$ 10,418,569	\$ 8,751,643	\$ 26,018,494	\$ 30,925,804	\$ 21,977,588
Non-current assets.....	1,423,869	1,067,117	985,544	-	-	-	1,423,869	1,067,117	985,544
Capital assets.....	<u>50,868,231</u>	<u>41,460,779</u>	<u>40,481,349</u>	<u>47,102,743</u>	<u>44,525,626</u>	<u>41,959,132</u>	<u>97,970,974</u>	<u>85,986,405</u>	<u>82,440,481</u>
Total assets	<u>67,814,340</u>	<u>63,035,131</u>	<u>54,692,838</u>	<u>57,598,997</u>	<u>54,944,195</u>	<u>50,710,775</u>	<u>125,413,337</u>	<u>117,979,326</u>	<u>105,403,613</u>
Deferred outflows of resources	2,542,849	2,973,787	1,285,358	349,970	423,625	191,124	2,892,819	3,397,412	1,476,482
Long-term liabilities outstanding.....	17,934,946	17,234,704	9,530,427	10,051,529	10,653,861	8,332,263	27,986,475	27,888,565	17,862,690
Other liabilities.....	<u>2,325,823</u>	<u>1,418,694</u>	<u>1,348,205</u>	<u>1,281,467</u>	<u>1,227,886</u>	<u>772,998</u>	<u>3,607,290</u>	<u>2,646,580</u>	<u>2,121,203</u>
Total liabilities	<u>20,260,769</u>	<u>18,653,398</u>	<u>10,878,632</u>	<u>11,332,996</u>	<u>11,881,747</u>	<u>9,105,261</u>	<u>31,593,765</u>	<u>30,535,145</u>	<u>19,983,893</u>
Deferred inflows of resources	580,423	82,356	205,871	80,321	10,214	29,195	660,744	92,570	235,066
Net position:									
Net investment in capital assets.....	40,610,954	30,319,096	34,801,671	38,122,626	34,527,281	34,178,396	78,733,580	64,846,377	68,980,067
Restricted.....	2,757,579	2,615,433	2,589,616	-	-	-	2,757,579	2,615,433	2,589,616
Unrestricted.....	<u>6,147,464</u>	<u>14,338,635</u>	<u>7,502,406</u>	<u>8,413,024</u>	<u>8,948,578</u>	<u>7,589,047</u>	<u>14,560,488</u>	<u>23,287,213</u>	<u>15,091,453</u>
Total net position	<u>\$49,515,997</u>	<u>\$47,273,164</u>	<u>\$44,893,693</u>	<u>\$46,535,650</u>	<u>\$43,475,859</u>	<u>\$41,767,443</u>	<u>\$96,051,647</u>	<u>\$90,749,023</u>	<u>\$86,661,136</u>

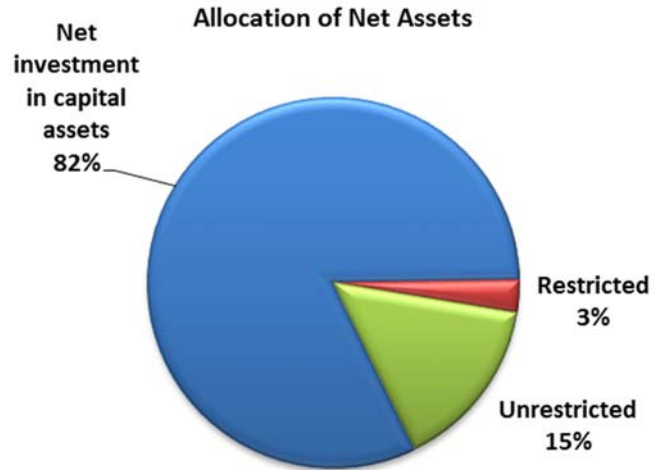
Note: 2016 Unrestricted Net Position have been restated to reflect prior period adjustments.

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 City of Mebane exceeded liabilities and deferred inflows by \$96,051,647 as of June 30, 2018. The City’s net position increased by \$7,639,659 for the fiscal year ended June 30, 2018. However, the largest portion (82.0%) reflects the City’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Mebane uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mebane’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mebane’s net position \$2,757,579 (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,560,488 is unrestricted.

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Several particular aspects of the City'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 99.70%, which compares favorably with the statewide average of 98.78%.
- Other taxes increased \$263,848 which included an increase in sales taxes of \$181,036.
- Water and sewer charges for services increased by \$184,394 due to an increase in demand for these services.
- A continued low cost of debt due to the City's high bond rating.



City of Mebane Changes in Net Position (Figure 3)

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues:									
Program revenues:									
Charges for services.....	\$ 981,135	\$ 995,539	\$ 1,107,648	\$ 6,676,309	\$ 6,491,915	\$ 7,399,492	\$ 7,657,444	\$ 7,487,454	\$ 8,507,140
Operating grants and contributions	934,764	574,891	448,823	-	-	-	934,764	574,891	448,823
Capital grants and contributions.....	3,380,460	639,266	972,045	2,508,340	465,220	1,376,780	5,888,800	1,104,486	2,348,825
General revenues:									
Property taxes.....	10,279,056	9,751,487	8,859,077	-	-	-	10,279,056	9,751,487	8,859,077
Other taxes.....	4,563,646	4,299,798	4,188,891	-	-	-	4,563,646	4,299,798	4,188,891
Grants and contributions not restricted to specific programs.....	3,050	3,050	12,509	-	-	-	3,050	3,050	12,509
Other.....	293,880	94,809	47,803	221,536	791,135	25,017	515,416	885,944	72,820
Total revenues.....	20,435,991	16,358,840	15,636,796	9,406,185	7,748,270	8,801,289	29,842,176	24,107,110	24,438,085
Expenses:									
General government.....	2,227,259	2,023,497	2,058,889	-	-	-	2,227,259	2,023,497	2,058,889
Public safety.....	6,567,770	6,132,593	5,521,196	-	-	-	6,567,770	6,132,593	5,521,196
Public works.....	3,885,804	3,907,270	4,169,363	-	-	-	3,885,804	3,907,270	4,169,363
Economic development.....	1,879,946	461,389	1,415,831	-	-	-	1,879,946	461,389	1,415,831
Culture and recreation.....	1,301,845	1,195,553	1,288,321	-	-	-	1,301,845	1,195,553	1,288,321
Interest on long-term dept.....	300,632	174,166	156,676	-	-	-	300,632	174,166	156,676
Water and sewer.....	-	-	-	6,039,261	6,139,854	4,926,465	6,039,261	6,139,854	4,926,465
Total expenses.....	16,163,256	13,894,468	14,610,276	6,039,261	6,139,854	4,926,465	22,202,517	20,034,322	19,536,741
Increase in net position before transfers and special item.....	4,272,735	2,464,372	1,026,520	3,366,924	1,608,416	3,874,824	7,639,659	4,072,788	4,901,344
Transfers.....	(2,003)	-	965,000	2,003	-	(965,000)	-	-	-
Special item.....	-	-	-	-	-	-	-	-	-
Increase in net position.....	4,270,732	2,464,372	1,991,520	3,368,927	1,608,416	2,909,824	7,639,659	4,072,788	4,901,344
Net position, July 1.....	47,273,164	44,893,693	42,422,887	43,475,859	41,767,443	38,791,045	90,749,023	86,661,136	81,213,932
Net position, restated.....	45,245,265	44,808,792	42,902,173	43,166,723	41,867,443	38,857,619	88,411,988	86,676,235	81,759,792
Net position, June 30.....	\$49,515,997	\$47,273,164	\$44,893,693	\$46,535,650	\$43,475,859	\$41,767,443	\$96,051,647	\$90,749,023	\$86,661,136

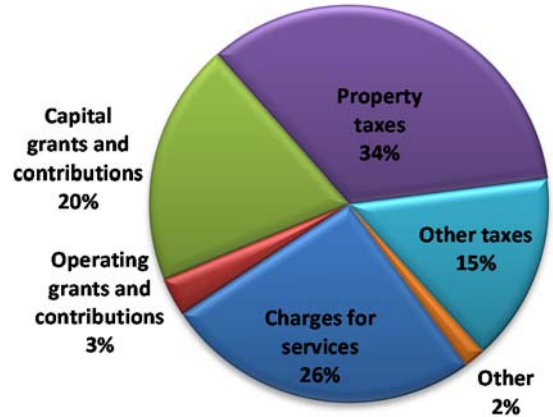
Note: 2018, 2017, and 2016 Net Position have been restated to reflect prior period adjustments.

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Governmental activities: Governmental activities prior to transfers increased the City’s net position by \$4,272,735, thereby accounting for 55.9% of the total growth in the net position of the City of Mebane. Key elements of this change in net position are as follows:

- Property taxes increased by \$527,569 over the prior year.
- Other tax revenues increased by \$263,848 over the prior year.
- Charges for services decreased by \$14,404 while operating grants increased \$359,873 and capital grants and contributions increased \$2,741,194 over the prior year.

Revenues by Source - All Activities



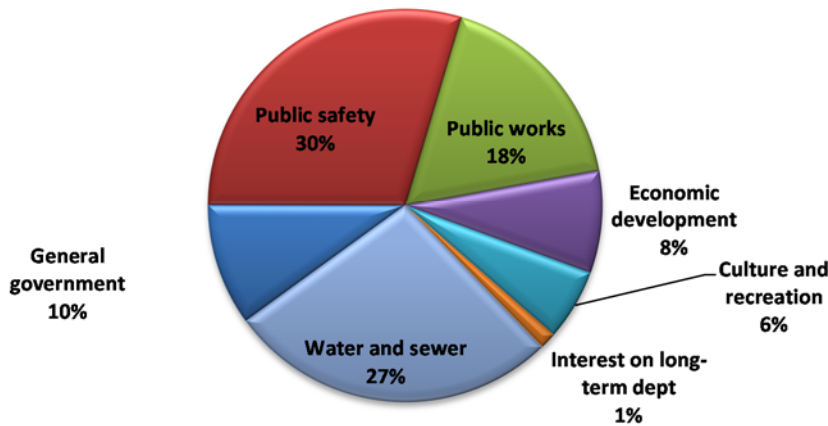
Business-type activities: Business-type activities prior to transfers increased the City of Mebane’s net position by \$3,368,927, accounting for 44.1% of the total growth in the government’s net position. Key elements of this change in net position as compared to the prior year are as follows:

- Charges for services increased \$184,394 due to an increase in demand for these services.
- Capital grants and contributions increased \$2,043,120 due to growth in the City.

Financial Analysis of the City’s Funds

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

Expenses by Function - All Activities

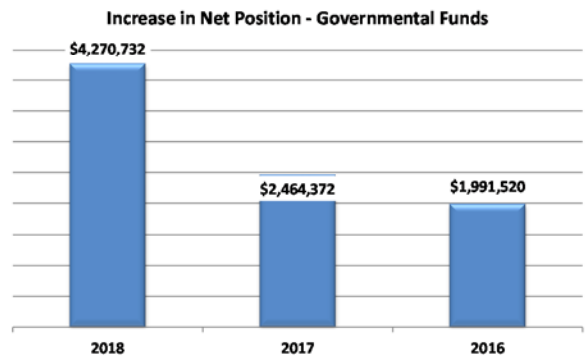


Governmental Funds: The focus of the City of Mebane’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mebane’s financing requirements.

The general fund is the chief operating fund of the City of Mebane. At the end of the current fiscal year, fund balance available in the General Fund was

\$9,391,514, while total fund balance reached \$12,197,410. The City currently has an available fund balance of 53.66% of general fund expenditures, while total fund balance represents 70.0% of the same amount.

At June 30, 2018, the governmental funds of the City of Mebane reported a combined fund balance of \$14,038,060, a 28.2% decrease from last year. This



City of Mebane, North Carolina
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decrease in fund balance is due to a decrease in the general fund of \$1,287,168 combined with an overall decrease in capital project and special revenue funds of \$4,215,428.

General Fund Budgetary Highlights: During the fiscal year, the City 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.

Revenues were more than the budgeted amounts primarily because tax revenue and permit and fees revenues that the City originally had expected to receive were significantly more. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds: The City’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$8,413,024. The total increase in net position was \$3,368,927.

Capital Asset and Debt Administration

Capital assets: The City of Mebane’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$97,970,974 (net of accumulated depreciation). These assets include buildings, roads, land, artwork and collections, machinery and equipment, park facilities, and vehicles.

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

- Capital contributions in the general fund in the amount of \$3,197,960 and in the water and sewer fund in the amount of \$2,508,340.
- Construction in progress in the governmental funds consisted of construction related expenses in the City Park Project of \$7,041,809, and for the 1st Street Park in the amount of \$2,841. Expenses related to upgrades to the City’s financial software totaled \$71,530.
- Construction in progress in the Water and Sewer Fund of \$39,306 for the Flood Wall/Levy and \$42,618 for the KENAF Study. Expenses related to upgrades to the City’s financial software totaled \$20,920.

City of Mebane’s Capital Assets, Net of Depreciation (Figure 4)

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Land.....	\$ 6,317,928	\$ 5,814,448	\$ 5,814,448	\$ 178,250	\$ 82,789	\$ 82,789	\$ 6,496,178	\$ 5,897,237	\$ 5,897,237
Artwork and collections.....	31,900	31,900	31,900	-	-	-	31,900	31,900	31,900
Buildings and systems.....	12,326,652	12,614,069	12,882,491	22,812,776	20,324,867	16,150,721	35,139,428	32,938,936	29,033,212
Water and sewer systems.....	-	-	-	23,245,026	18,624,792	18,647,536	23,245,026	18,624,792	18,647,536
Improvements other than buildings	3,817,412	3,689,112	3,686,297	-	-	-	3,817,412	3,689,112	3,686,297
Machinery and equipment.....	1,557,901	1,175,826	1,117,322	739,403	448,176	385,086	2,297,304	1,624,002	1,502,408
Computer equipment.....	177,875	126,186	126,782	-	-	-	177,875	126,186	126,782
Infrastructure.....	15,999,224	12,230,803	11,943,960	-	-	-	15,999,224	12,230,803	11,943,960
Vehicles and motorized equipment.	3,523,159	3,506,527	3,244,433	24,444	28,524	15,011	3,547,603	3,535,051	3,259,444
Construction in progress.....	<u>7,116,180</u>	<u>2,271,908</u>	<u>1,633,716</u>	<u>102,844</u>	<u>5,016,478</u>	<u>6,677,989</u>	<u>7,219,024</u>	<u>7,288,386</u>	<u>8,311,705</u>
	<u>\$50,868,231</u>	<u>\$41,460,779</u>	<u>\$40,481,349</u>	<u>\$47,102,743</u>	<u>\$44,525,626</u>	<u>\$41,959,132</u>	<u>\$97,970,974</u>	<u>\$85,986,405</u>	<u>\$82,440,481</u>

Additional information on the City’s capital assets can be found on page 32 of this report.

**City of Mebane, North Carolina
Management Discussion and Analysis
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Long-term Debt: As of June 30, 2018, the City of Mebane had no bonded debt outstanding.

City of Mebane’s Outstanding Debt (Figure 5)

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
General obligation bonds..	\$ -	\$ -	\$ -	\$ -	\$ 95,000	\$ 215,000	\$ -	\$ 95,000	\$ 215,000
Notes payable.....	10,257,277	11,141,683	5,679,678	4,459,195	4,869,335	5,272,472	14,716,472	16,011,018	10,952,150
Other long-term payables..	-	-	-	4,520,922	4,848,325	2,293,264	4,520,922	4,848,325	2,293,264
Compensated absences.....	406,303	374,627	402,155	65,051	56,747	67,349	471,354	431,374	469,504
OPEB.....	5,235,446	3,304,672	2,748,999	799,290	503,769	426,132	6,034,736	3,808,441	3,175,131
Pension related debt.....	2,035,920	2,413,722	699,595	207,071	280,685	58,046	2,242,991	2,694,407	757,641
Total.....	<u>\$17,934,946</u>	<u>\$17,234,704</u>	<u>\$9,530,427</u>	<u>\$ 10,051,529</u>	<u>\$ 10,653,861</u>	<u>\$ 8,332,263</u>	<u>\$27,986,475</u>	<u>\$27,888,565</u>	<u>\$ 17,862,690</u>

The City of Mebane’s total debt increased by \$97,910 (3.5%) during the past fiscal year, primarily due to new debt for capital purchases of \$431,873, increases in OPEB of \$2,226,295, and decreases in pension obligations of \$451,416, netted with scheduled principal payments of \$2,148,828 on bonds, notes, and other long-term payables.

The City of Mebane has maintained a high bond rating at “AA+” with Standard and Poor’s Corporation. There was no new general obligation debt issued in FY18, and Standard & Poor’s Ratings Services last review affirmed the rating, with a stable outlook, on the general obligation (GO) bonds issued by the City of Mebane. They stated that the rating reflects their opinion of the City’s favorable location, growing and diverse property base, very strong finances and low direct debt. The City believes this speaks very highly of the stability and sound management practices of the City of Mebane.

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 City of Mebane is \$154,137,370.

Additional information regarding the City of Mebane’s long-term debt can be found on page 45 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth of the City of Mebane:

- The City’s tax base continued to grow, by 12% or \$163,985,109 in real property.
- Growth in the tax base of the City is expected to continue as a result of Mebane’s great location on two major highways and between the Research Triangle and Piedmont Triad region.
- The area’s unemployment rate is dropping. Between Alamance County’s rate of 4.2% and Orange County’s rate of 3.7%, the City of Mebane’s unemployment rate is well below the statewide average of 4.2% at June 30, 2018.
- Continued industrial development and expansion at the N.C. Industrial Center (NCIC), at the new NC Commerce Park, as well as Orange County’s new economic development efforts and utility infrastructure improvements, will continue to boost the City’s tax base and employment opportunities. The Walmart Distribution Center began operations in May 2016, and has exceeded their target job figure of 450. The Lidl distribution center and Prescient Company both began operations in their new facilities in FY17. GKN, Nypro and Cambro Manufacturing have undertaken expansions, and Lotus Bakeries is under construction of their new facility in Mebane. Airgas USA made plans to site their new facility in Mebane, along with some mixed use projects providing additional retail and a new hotel under construction.
- Retail sales are expected to continue their strong performance from 2018. Tanger Outlets is expected to sustain much of this growth.
- Renovation of the White’s Furniture building, completed in FY16, added 156 loft-style apartments to the downtown area, and is near capacity. Construction of the new city park, under way and expected to be complete in early FY19, is expected to further enhance Mebane’s vibrant downtown community.

City of Mebane, North Carolina
Management Discussion and Analysis
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- Other new housing starts are under construction, with both subdivisions and apartment communities approved in FY18.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Revenues of the City are expected to increase by 4.8% for 2019, primarily due to an increase in property taxes, along with sales and utility taxes. With revaluation increasing the City's tax base last year by 14%, and with an allowance for normal growth around 4%, the City retained an ad valorem tax rate of \$0.47 per \$100 valuation. Retail sales are also expected to continue their strong growth from 2018. The fee schedule for the FY19 budget adjusted some permits and fees in keeping with neighboring communities, with the changes intended to cover the cost of providing the related services.

Budgeted operating expenditures in the General Fund are expected to increase by a net of about \$978,000, with the replacement of police vehicles and radios accounting for a large portion of the increase. The budget includes \$469,000 for new police radios, and \$207,648 for police vehicles along with \$30,000 for a space needs study. The General Fund budget continues to reflect the allocation of administrative costs to the Utility Fund, for a total of \$577,901. Costs included to help manage the City's growth include the addition of one traffic officer in the Police Department, and three firefighters, with all positions to be added mid-year. The budget includes operating costs for the new Park anticipated to open in the fall of 2018, including two new employees and equipment. The Finance budget includes continued funding for contracting tax collection to the counties, but is reduced for the expected completion of the accounting system project.

Most other departments are continuing existing services with no significant change beyond a 2% cost of living adjustment for all employees and funding for merit-based pay. The budget splits Planning and Inspections into separate departments. The City was able to retain medical insurance with no rate increase for FY19. The City continues to maintain its commitment to improvements in roads, sidewalks and park facilities, reflected in continuing allocations for ongoing maintenance of facilities and infrastructure improvements. Based on construction schedules and anticipated milestones, economic incentives are reduced in the FY19 budget.

Business-type Activities: Revenue for water and sewer service is projected to increase by about 7.7%. The increase is based on growth and the first rate increase in twelve years of around 5%. The adoption of System Development Fees in lieu of connection fees is intended to provide funding for capital infrastructure, and required the addition of a new capital reserve fund. The Utility budget is balanced with appropriated fund balance of about \$1.8 million, providing for a transfer of \$500,000 to the Capital Fund. Operating expenditures are much the same as prior year, with the provision for employee raises and the addition of a mechanic at the Water Resource Recovery Facility. The City continues its commitment to funding for capital maintenance of water and sewer lines, and for the provision of service to new areas with planned oversizing of new development infrastructure. Capital expenditures planned for FY19 include the purchase of a boom mower, design of the GKN reroute project, the second year of an inflow and infiltration study (\$200,000), the second year of a meter replacement project (\$500,000) and design of a floodwall at the Water Resource Recovery Facility. Other significant costs include continuation of debt payments, including anticipated first year costs of \$141,750 for financing the GKN Force Main Rerouting project and WRRF upgrades.

Request for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to:

Jeanne D. Tate
Finance Director
106 E. Washington Street
Mebane, NC 27302
(919) 563-5901
jtate@cityofmebane.com

Basic Financial Statements

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow.



City of Mebane, North Carolina
Statement of Net Position
June 30, 2018

Exhibit 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents.....	\$ 12,848,235	\$ 9,227,258	\$ 22,075,493
Taxes receivables, (net).....	81,687	-	81,687
Accrued interest receivable on taxes.....	18,747	-	18,747
Accounts receivable (net).....	103,279	761,837	865,116
Due from other governments.....	2,338,347	2,600	2,340,947
Prepaid items.....	131,945	1,310	133,255
Restricted cash.....	878,614	503,249	1,381,863
Notes receivable - Mebane Mill Lofts, LLC.....	545,255	-	545,255
Capital assets (Note 2):			
Land, non-depreciable improvements, and construction in progress	13,466,008	281,094	13,747,102
Other capital assets, net of depreciation.....	37,402,223	46,821,649	84,223,872
Total capital assets.....	50,868,231	47,102,743	97,970,974
Total assets.....	67,814,340	57,598,997	125,413,337
Deferred outflows of resources.....	2,542,849	349,970	2,892,819
Liabilities			
Accounts payable and accrued expenses.....	1,626,273	231,726	1,857,999
Accrued interest payable.....	64,270	47,488	111,758
Due to other governments.....	6,433	499,004	505,437
Payable from restricted assets.....	628,847	503,249	1,132,096
Long-term liabilities:			
Current portion of long-term liabilities.....	1,617,526	789,324	2,406,850
Net pension liability - LGERS.....	1,461,050	207,071	1,668,121
Net pension liability - LEOSSA.....	574,870	-	574,870
Due in more than one year.....	14,281,500	9,055,134	23,336,634
Total long-term liabilities.....	17,934,946	10,051,529	27,986,475
Total liabilities.....	20,260,769	11,332,996	31,593,765
Deferred inflows of resources.....	580,423	80,321	660,744
Net Position			
Net investment in capital assets.....	40,610,954	38,122,626	78,733,580
Restricted for:			
Stabilization by State Statute.....	2,673,951	-	2,673,951
Other functions.....	83,628	-	83,628
Unrestricted	6,147,464	8,413,024	14,560,488
Total net position.....	\$ 49,515,997	\$ 46,535,650	\$ 96,051,647

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

City of Mebane, North Carolina
Statement of Activities
For the Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital Grants	Primary Government		
			Grants & Contributions	and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government.....	\$ 2,227,259	\$ 60,580	\$ -	\$ -	\$ (2,166,679)	\$ -	\$ (2,166,679)
Public safety.....	6,567,770	19,941	227,721	-	(6,320,108)	-	(6,320,108)
Public works.....	3,885,804	422,237	368,520	3,197,960	102,913	-	102,913
Recreation.....	1,301,845	87,018	5,450	-	(1,209,377)	-	(1,209,377)
Economic & physical development.....	1,879,946	391,359	333,073	182,500	(973,014)	-	(973,014)
Interest on long-term debt.....	300,632	-	-	-	(300,632)	-	(300,632)
Total governmental activities.....	16,163,256	981,135	934,764	3,380,460	(10,866,897)	-	(10,866,897)
Business-type activities:							
Water and sewer.....	6,039,261	6,676,309	-	2,508,340	-	3,145,388	3,145,388
Total business-type activities.....	6,039,261	6,676,309	-	2,508,340	-	3,145,388	3,145,388
Total primary government.....	\$ 22,202,517	\$ 7,657,444	\$ 934,764	\$ 5,888,800	(10,866,897)	3,145,388	(7,721,509)
General revenues:							
Taxes:							
Property taxes, levied for general purposes.....					10,279,056	-	10,279,056
Sales taxes.....					3,304,401	-	3,304,401
Franchise tax.....					1,110,042	-	1,110,042
Privilege license tax.....					1,005	-	1,005
Excise Tax.....					148,198	-	148,198
Grants & contributions not restricted to specific programs.....					3,050	-	3,050
Unrestricted investment earnings.....					129,302	28,295	157,597
Miscellaneous.....					164,578	193,241	357,819
Total general revenues excluding transfers.....					15,139,632	221,536	15,361,168
Transfers.....					(2,003)	2,003	-
Total general revenues and transfers.....					15,137,629	223,539	15,361,168
Change in net position.....					4,270,732	3,368,927	7,639,659
Net position - beginning , previously reported.....					47,273,164	43,475,859	90,749,023
Restatement.....					(2,027,899)	(309,136)	(2,337,035)
Net position - beginning , restated.....					45,245,265	43,166,723	88,411,988
Net position - ending.....					\$ 49,515,997	\$ 46,535,650	\$ 96,051,647

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

City of Mebane, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

	<u>General Fund</u>	<u>Capital Project Fund - City Park Project</u>	<u>Total Non - Major Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents.....	\$ 10,470,171	\$ 2,358,926	\$ 19,138	\$ 12,848,235
Restricted cash.....	794,986	-	83,628	878,614
Taxes receivable, net.....	81,687	-	-	81,687
Receivable from other governments.....	2,338,347	-	-	2,338,347
Other receivables.....	103,279	-	-	103,279
Prepaid items.....	131,945	-	-	131,945
Total assets.....	<u>\$ 13,920,415</u>	<u>\$ 2,358,926</u>	<u>\$ 102,766</u>	<u>\$ 16,382,107</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable.....	1,005,231	621,042	-	1,626,273
Due to other governments.....	6,433	-	-	6,433
Payable from restricted assets.....	628,847	-	-	628,847
Total liabilities.....	<u>1,640,511</u>	<u>621,042</u>	<u>-</u>	<u>2,261,553</u>
Deferred inflows of resources.....	82,494	-	-	82,494
Fund balances:				
Nonspendable				
Prepaid assets.....	131,945	-	-	131,945
Restricted				
Stabilization by State Statute.....	2,673,951	-	-	2,673,951
Economic development.....	-	-	83,628	83,628
Assigned				
Subsequent year's expenditures.....	1,828,000	1,737,884	19,138	3,585,022
Unassigned.....	7,563,514	-	-	7,563,514
Total fund balances.....	<u>12,197,410</u>	<u>1,737,884</u>	<u>102,766</u>	<u>14,038,060</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 13,920,415</u>	<u>\$ 2,358,926</u>	<u>\$ 102,766</u>	<u>\$ 16,382,107</u>

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

City of Mebane, North Carolina
Balance Sheet (continued)
Governmental Funds
June 30, 2018

Exhibit 3

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

Total fund balance, governmental funds.....		\$ 14,038,060
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost.....	63,050,587	
Accumulated depreciation.....	<u>(12,182,356)</u>	50,868,231
Deferred outflows of resources related to pensions are not reported in the funds.....		2,488,424
Deferred outflows of resources related to OPEB are not reported in the funds.....		54,425
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable on taxes.....	18,746	
Notes receivable.....	<u>545,255</u>	564,001
Earned revenues considered deferred inflows of resources in fund statements.....		81,687
Deferred inflows of resources related to pensions are not reported in the funds.....		(51,254)
Deferred inflows of resources related to OPEB are not reported in the funds.....		(528,361)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable.....	(10,257,277)	
Compensated absences.....	(406,303)	
Net pension liability - LGERS.....	(1,461,050)	
Total pension liability - LEOSSA.....	(574,870)	
OPEB liability.....	<u>(5,235,446)</u>	<u>(17,934,946)</u>
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.....		<u>(64,270)</u>
Net Position of Governmental Activities.....		<u>\$ 49,515,997</u>

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

City of Mebane, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 4

	<u>General Fund</u>	<u>Capital Project Fund - City Park Project</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes.....	\$ 9,851,605	\$ -	\$ -	\$ 9,851,605
Other taxes and licenses.....	1,005	-	-	1,005
Unrestricted intergovernmental.....	4,866,039	-	-	4,866,039
Restricted intergovernmental.....	1,265,968	-	-	1,265,968
Permits and fees.....	411,580	-	-	411,580
Sales and services.....	462,033	-	-	462,033
Investment earnings.....	47,386	77,622	4,294	129,302
Miscellaneous.....	177,506	135,000	9,632	322,138
Total revenues.....	<u>17,083,122</u>	<u>212,622</u>	<u>13,926</u>	<u>17,309,670</u>
Expenditures				
Current:				
General government.....	2,244,898	-	-	2,244,898
Public safety.....	6,526,581	-	-	6,526,581
Public works.....	3,400,679	-	-	3,400,679
Recreation.....	1,828,941	-	-	1,828,941
Economic and physical development.....	1,878,174	-	-	1,878,174
Debt Service:				
Principal.....	1,316,286	-	-	1,316,286
Interest and other charges.....	306,592	-	-	306,592
Capital outlay.....	-	5,710,491	29,495	5,739,986
Total Expenditures.....	<u>17,502,151</u>	<u>5,710,491</u>	<u>29,495</u>	<u>23,242,137</u>
Excess (deficiency) of revenues over expenditures.....	<u>(419,029)</u>	<u>(5,497,869)</u>	<u>(15,569)</u>	<u>(5,932,467)</u>
Other Financing Sources (Uses)				
Transfers in.....	212,399	1,512,411	-	1,724,810
Transfers out.....	(1,512,411)	-	(214,401)	(1,726,812)
Installment purchase obligations issued.....	431,873	-	-	431,873
Total other financing sources and uses.....	<u>(868,139)</u>	<u>1,512,411</u>	<u>(214,401)</u>	<u>429,871</u>
Net change in fund balances.....	(1,287,168)	(3,985,458)	(229,970)	(5,502,596)
Fund balances - beginning	13,484,578	5,723,342	332,736	19,540,656
Fund balances - ending.....	<u>\$ 12,197,410</u>	<u>\$ 1,737,884</u>	<u>\$ 102,766</u>	<u>\$ 14,038,060</u>

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

City of Mebane, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 4

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ (5,502,596)
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 outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized.....	\$ 7,526,626	
Depreciation expense for governmental assets.....	<u>(1,276,231)</u>	6,250,395
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.....		(40,906)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.....		(66,505)
Benefit payments paid and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Activities.....		1,696
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.....		54,425
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Amount of contributed capital.....	3,197,960	
Mebane Mills Lofts notes receivable principal receipts.....	(9,632)	
Change in unavailable revenue for tax revenues.....	<u>(29,108)</u>	3,159,220
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued.....	(431,873)	
Principal payments on long-term debt.....	1,316,286	
Increase in accrued interest payable.....	<u>5,960</u>	890,373
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences.....	(31,677)	
Pension expense.....	(12,456)	
OPEB plan expense.....	<u>(431,237)</u>	(475,370)
Total changes in net position of governmental activities		<u><u>\$ 4,270,732</u></u>

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

City of Mebane, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - Annual Budget to Actual
General Fund
For the Year Ended June 30, 2018

Exhibit 5

	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Property taxes.....	\$ 9,561,653	\$ 9,561,653	\$ 9,851,605	\$ 289,952
Other taxes and licenses.....	500	500	1,005	505
Unrestricted intergovernmental.....	4,969,643	4,969,643	4,866,039	(103,604)
Restricted intergovernmental.....	799,400	1,041,900	1,265,968	224,068
Permits and fees.....	433,000	433,000	411,580	(21,420)
Sales and services.....	405,450	405,450	462,033	56,583
Investment earnings.....	12,000	12,000	47,386	35,386
Miscellaneous.....	129,500	129,500	177,506	48,006
Total revenues.....	<u>16,311,146</u>	<u>16,553,646</u>	<u>17,083,122</u>	<u>529,476</u>
Expenditures				
Current:				
General government.....	2,677,774	2,690,006	2,244,898	445,108
Public safety.....	7,039,431	7,000,520	6,526,581	473,939
Public works.....	3,892,894	4,381,494	3,400,679	980,815
Recreation.....	1,373,484	2,230,939	1,828,941	401,998
Economic and physical development.....	1,986,616	2,313,963	1,878,174	435,789
Debt Service:				
Principal.....	1,275,260	1,318,448	1,316,286	2,162
Interest and other charges.....	305,541	309,536	306,592	2,944
Total expenditures.....	<u>18,551,000</u>	<u>20,244,906</u>	<u>17,502,151</u>	<u>2,742,755</u>
Excess (deficiency) of revenues over expenditures.....	<u>(2,239,854)</u>	<u>(3,691,260)</u>	<u>(419,029)</u>	<u>3,272,231</u>
Other Financing Sources (Uses)				
Transfers in.....	-	212,398	212,399	1
Transfers out.....	-	(1,877,411)	(1,512,411)	365,000
Long-term debt obligations issued.....	436,000	436,000	431,873	(4,127)
Fund balance appropriated.....	1,803,854	4,920,273	-	(4,920,273)
Total other financing sources and uses.....	<u>2,239,854</u>	<u>3,691,260</u>	<u>(868,139)</u>	<u>(4,559,399)</u>
Net change in fund balances	\$ -	\$ -	(1,287,168)	\$ (1,287,168)
Fund balances - beginning			13,484,578	
Fund balances - ending			<u>\$ 12,197,410</u>	

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

City of Mebane, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

Exhibit 6

	<u>Water and</u> <u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents.....	\$ 9,227,258
Accounts receivable (net) - billed.....	523,261
Accounts receivable (net) - unbilled.....	238,576
Due from other governments.....	2,600
Prepaid items.....	1,310
Restricted cash.....	503,249
Total current assets.....	10,496,254
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets.....	281,094
Other capital assets, net of depreciation.....	46,821,649
Total capital assets.....	47,102,743
Total non-current assets.....	47,102,743
Total assets.....	57,598,997
Deferred outflows of resources.....	349,970
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities.....	231,726
Accrued interest payable.....	47,488
Due to other governments.....	499,004
Payable from restricted assets.....	503,249
Compensated absences.....	44,782
Long-term debt - current.....	744,542
General obligation bonds payable - current.....	-
Total current liabilities.....	2,070,791
Noncurrent liabilities:	
Compensated absences.....	20,268
Net pension liability.....	207,071
Total OPEB liability.....	799,290
Long-term debt - noncurrent.....	8,235,576
General obligation bonds payable - noncurrent.....	-
Total noncurrent liabilities.....	9,262,205
Total liabilities.....	11,332,996
Deferred inflows of resources.....	80,321
Net Position	
Net investment in capital assets.....	38,122,626
Unrestricted	8,413,024
Total net position.....	\$ 46,535,650

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

City of Mebane, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 7

	<u>Water and</u> <u>Sewer Fund</u>
Operating Revenues	
Charges for services.....	\$ 5,547,280
Water and sewer taps.....	120,654
Connection fees.....	696,140
Miscellaneous.....	<u>312,235</u>
Total operating revenues.....	<u>6,676,309</u>
Operating Expenses	
Administration.....	863,028
Distribution and maintenance.....	2,447,617
Waste collection and maintenance.....	1,292,737
Depreciation.....	<u>1,268,489</u>
Total operating expenses.....	<u>5,871,871</u>
Operating income (loss).....	<u>804,438</u>
Nonoperating revenues (expenses)	
Interest and investment revenue.....	28,295
Other.....	193,241
Interest expense.....	(165,426)
Amortization of bonds.....	<u>(1,964)</u>
Total nonoperating revenues (expenses).....	<u>54,146</u>
Income (loss) before contributions and transfers.....	858,584
Capital contributions.....	2,508,340
Transfers in.....	2,003
Transfers out.....	<u>-</u>
Change in net position.....	3,368,927
Total net position, previously reported.....	43,475,859
Restatement.....	(309,136)
Total net position - restated.....	<u>43,166,723</u>
Total net position - ending.....	<u>\$ 46,535,650</u>

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

City of Mebane, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 8

	<u>Water and</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers.....	\$ 6,361,171
Cash paid for goods and services.....	(3,053,675)
Cash paid to or on behalf of employees for services.....	(2,001,801)
Customer deposits received.....	112,715
Customer deposits returned.....	(74,765)
Other operating revenues.....	312,234
Total cash provided (used) by operating activities.....	<u>1,655,879</u>
Cash Flows from Noncapital Financing Activities	
Other non-operating revenues.....	193,241
Transfers from other funds.....	2,003
Transfers to other funds.....	-
Total cash provided (used) by non-capital financing activities.....	<u>195,244</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets.....	(102,116)
Principal paid on bonds and notes payable.....	(832,542)
Interest paid on bonds and notes payable.....	(135,142)
Total cash provided (used) by capital and related financing activities.....	<u>(1,069,800)</u>
Cash Flows from Investing Activities	
Investment income.....	25,280
Total cash provided (used) by investing activities.....	<u>25,280</u>
Net increase (decrease) in cash and equivalents.....	806,603
Balance, beginning restated.....	8,923,904
Balance, ending.....	<u>\$ 9,730,507</u>

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

City of Mebane, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 8

	<u>Water and</u> <u>Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss).....	\$ 804,438
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation.....	1,268,489
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable.....	7,204
Increase (decrease) in allowance for doubtful accounts.....	(10,107)
(Increase) decrease in prepaid items.....	(1,310)
(Increase) decrease in deferred outflows of resources for pensions.....	73,655
Increase (decrease) accounts payable.....	(521,392)
Increase (decrease) salaries payable.....	5,771
Increase (decrease) accrued vacation.....	8,303
Increase (decrease) in net pension liability.....	(73,614)
Increase (decrease) in deferred inflows of resources for pensions.....	(3,960)
Increase (decrease) in OPEB liability.....	(13,615)
Increase (decrease) in deferred inflows of resources for OPEB.....	74,067
Increase (decrease) in customer deposits.....	37,950
Total adjustments.....	<u>851,441</u>
Net cash provided by operating activities.....	<u>\$ 1,655,879</u>
Noncash investing, capital, and financing activities:	
Noncash capital contributions of fixed assets.....	<u>\$ 2,508,340</u>
Unrealized gain/loss on investments.....	<u>\$ -</u>

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

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies

The accounting policies of the City of Mebane 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 City of Mebane is a municipal corporation which is governed by an elected mayor and a five-member council. The City is located in the eastern part of Alamance County and the western part of Orange County. Generally accepted accounting principles require that these financial statements present the primary government (i.e. the City) and any component units, legally separate organization for which the elected officials of the City are financially accountable. The City of Mebane has no component units as defined above.

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

Fund Financial Statements: The fund financial statements provide information about the City'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 nonmajor 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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investments earnings.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. 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, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and general government.

City Park Project Capital Project Fund: This fund is used to account for the purchase of land and construction costs for a new athletics and recreation city park.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

The City reports the following non-major governmental funds:

CDBG- Mebane Mills Loft – Special Revenue Fund: This fund is used to account for all block grant funds expended for the renovation of the old Dixie Yarns Building into subsidized housing.

White Furniture Storm Drain Relocation Capital Project Fund: This fund is used to account expenditures necessary to relocate the storm drain leading to the apartment complex being constructed in the former White Furniture manufacturing factory location.

Impact Alamance Grant – Special Revenue Fund: This fund is used to account for Impact Alamance Grant funds expended for small equipment and capital outlays for recreation purposes.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund is used to account for the City's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City 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. Nonexchange transactions, in which the City 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.

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

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

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

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, including the City of Mebane. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Mebane because the tax is levied by Alamance County and Orange 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 City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City'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. Project ordinances are adopted for the Special Revenue Funds and the Capital Projects Funds and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Customer deposits held by the City before any services are supplied are restricted for which the deposit was collected. Contractor reserves and bond deposits received and held are classified as restricted cash. Grant proceeds received in advance for specified purposes are classified as restricted cash. Unexpended loan principal and interest receipts in the CDBG- Mebane Mills Loft Special Revenue Fund is classified as restricted assets because its use is restricted for future economic development per an agreement with the North Carolina Housing Finance Agency. Powell Bill funds are also classified as restricted cash, if applicable, because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Mebane Restricted Cash

Governmental Activities

General Fund

Contractor reserves and bond deposits..... \$ 628,847

Asset forfeiture funds..... 166,139

CDBG- Mebane Mills Loft Capital Project Fund

Economic Development..... 83,628

Total governmental activities..... 878,614

Business-type Activities

Water and Sewer Fund

Customer deposits..... 503,249

Total business-type activities..... 503,249

Total Restricted Cash..... \$ 1,381,863

Ad Valorem Taxes Receivable

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

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 and Prepaid Items

The inventories of the City's enterprise fund consist of expendable materials and supplies that are expensed when purchased.

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

City of Mebane, North Carolina
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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 one year. Minimum capitalization costs are \$5,000 for all items. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

Property, plant and equipment in the proprietary fund of the City are recorded at original cost at the time of acquisition. The City capitalizes those interest costs which are incurred during the construction period of any major capital projects. Property, plant, and equipment donated to the proprietary fund type operations are recorded at the estimated fair market value at the date of donation.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure.....	50
Buildings.....	50
Improvements	25
Vehicles.....	10
Furniture and equipment	5/10
Computer equipment	3/5/10

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 City has two items that meet this criterion, pension deferrals for the 2018 fiscal year and unamortized bond and refunding costs for Water and Sewer debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as

City of Mebane, North Carolina
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the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the City does not have any 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 Balance

In the governmental fund financial statements, fund balance is composed of 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.

Prepaid Assets – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid assets, which are not spendable resources.

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Economic Development – portion of fund balance that is restricted by revenue source for future community development related activities. This amount represents the balance of the total unexpended funds from the amortized repayments of the CDBG monies loaned to Mebane Mills Lofts, LLC.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the budget officer to modify the appropriations by resource or appropriation within funds without limitation. Any transfer between funds must be approved by the governing board in the budget ordinance as amended.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

City of Mebane, North Carolina
Notes to the Financial Statements
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The City of Mebane has adopted a fund balance policy that instructs management to conduct the business of the City in such a manner that unrestricted fund balance is 50% of annual budgeted expenditures and transfers. Any portion in excess of 50% may be set aside for future capital improvements or to other purposes as directed by the City Council.

Defined Benefit Cost-Sharing Plans

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

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

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City 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 City's agent in the City'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 City, these deposits are considered to be held by the City's agent in the City'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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 City 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 City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

City of Mebane, North Carolina
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At June 30, 2018 the City's deposits had a carrying amount of \$18,032,183, and a bank balance of \$18,221,413. Of the bank balance, \$753,478 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash on hand at June 30, 2018 was \$475.

Investments

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

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at</u>		<u>Maturity</u>	<u>Rating</u>
		<u>6/30/2018</u>			
Commercial Paper - Natixis NY Brh Disc.....	Fair Value Level 2	\$ 1,185,480		12/26/2018	A1
Commercial Paper - JP Morgan Secs LLC Disc.....	Fair Value Level 2	1,178,417		3/15/2019	A1
NC Capital Management Trust - Government Portfolio....	Amortized Cost	2,039,673		N/A	AAAm
NC Capital Management Trust - Term Portfolio.....	Fair Value Level 1	<u>1,021,128</u>		1 year	Unrated
Total.....		<u>\$ 5,424,698</u>			

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

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

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the City's investments in commercial paper were rated A1 by Standard & Poor's and P1 by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2018. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk. The City's Council places no limit on the amount that the City may invest in any one issuer. More than 5 percent of the City's investments are in Natixis NY's commercial paper and in JP Morgan Securities commercial paper. These investments are 21.85% and 21.72%, respectively of the City's total investments.

Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$6,359.

City of Mebane, North Carolina
Notes to the Financial Statements
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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:

Funds

General Fund:

Taxes Receivable.....	\$	11,164
Accounts Receivable.....		-
Total.....		<u>11,164</u>
Enterprise Fund.....		<u>176,695</u>
Total.....	\$	<u><u>187,859</u></u>

Capital Assets

Primary Government

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 5,814,448	\$ 503,480	\$ -	\$ 6,317,928
Artwork and collections.....	31,900	-	-	31,900
Construction in progress.....	<u>2,271,908</u>	<u>7,116,181</u>	<u>2,271,909</u>	<u>7,116,180</u>
Total capital assets not being depreciated...	<u>8,118,256</u>	<u>7,619,661</u>	<u>2,271,909</u>	<u>13,466,008</u>
Capital assets being depreciated:				
Buildings.....	15,727,368	-	-	15,727,368
Other improvements.....	4,415,161	226,341	-	4,641,502
Equipment.....	2,400,758	554,123	12,053	2,942,828
Computer equipment.....	278,140	69,403	-	347,543
Vehicles and motorized equipment.....	7,948,093	483,409	397,005	8,034,497
Infrastructure.....	<u>13,847,284</u>	<u>4,043,558</u>	<u>-</u>	<u>17,890,842</u>
Total capital assets being depreciated.....	<u>44,616,804</u>	<u>5,376,834</u>	<u>409,058</u>	<u>49,584,580</u>
Less accumulated depreciation for:				
Buildings.....	3,113,299	287,417	-	3,400,716
Other improvements.....	726,049	98,041	-	824,090
Equipment.....	1,224,932	170,844	10,849	1,384,927
Computer equipment.....	151,954	17,714	-	169,668
Vehicles and motorized equipment.....	4,441,566	427,078	357,306	4,511,338
Infrastructure.....	<u>1,616,481</u>	<u>275,137</u>	<u>-</u>	<u>1,891,618</u>
Total accumulated depreciation.....	<u>11,274,281</u>	<u>\$1,276,231</u>	<u>\$ 368,155</u>	<u>12,182,357</u>
Total capital assets being depreciated, net...	<u>33,342,523</u>			<u>37,402,223</u>
Governmental activity capital assets, net.....	<u>\$ 41,460,779</u>			<u>\$50,868,231</u>

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

General government.....	\$	48,030
Public safety.....		491,429
Public works.....		593,176
Recreation.....		143,596
Economic & physical development.....		-
Total.....		<u>\$1,276,231</u>

Business-type Activities

The fixed assets of the Enterprise Fund for the year ended June 30, 2018, was as follows:

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Notes to the Financial Statements
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	<u>Beginning</u>			<u>Ending</u>
Water and Sewer Fund:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land.....	\$ 82,789	\$ 95,461	\$ -	\$ 178,250
Construction in progress.....	5,016,478	440,508	5,354,142	102,844
Total capital assets not being depreciated.....	<u>5,099,267</u>	<u>535,969</u>	<u>5,354,142</u>	<u>281,094</u>
Capital assets being depreciated:				
Lagoon.....	25,828	-	-	25,828
Lake Michael and dam.....	265,900	-	-	265,900
Ownership interest in the Graham/Mebane Water Reservoir.....	11,430,754	2,528,999	-	13,959,753
Lift stations, pumping stations and tanks.....	8,704,868	564,708	-	9,269,576
Water and sewer lines.....	26,153,423	4,742,873	-	30,896,296
Land improvements.....	-	399,466	-	399,466
Waste treatment plant & maintenance buildings.....	8,291,219	51,993	-	8,343,212
Machinery and equipment.....	881,296	375,740	-	1,257,036
Vehicles.....	420,449	-	-	420,449
Total capital assets being depreciated.....	<u>56,173,737</u>	<u>8,663,779</u>	<u>-</u>	<u>64,837,516</u>
Less accumulated depreciation for:				
Lagoon.....	17,327	516	-	17,843
Lake Michael and dam.....	265,900	-	-	265,900
Ownership interest in the Graham/Mebane Water Reservoir.....	2,971,940	222,084	-	3,194,024
Lift stations, pumping stations and tanks.....	2,167,827	229,454	-	2,397,281
Water and sewer lines.....	7,537,132	554,373	-	8,091,505
Land improvements.....	-	3,995	-	3,995
Waste treatment plant & maintenance buildings.....	2,962,207	169,474	-	3,131,681
Machinery and equipment.....	433,120	84,513	-	517,633
Vehicles.....	391,925	4,080	-	396,005
Total accumulated depreciation.....	<u>16,747,378</u>	<u>\$ 1,268,489</u>	<u>\$ -</u>	<u>18,015,867</u>
Total capital assets being depreciated, net.....	<u>39,426,359</u>			<u>46,821,649</u>
Business-type activity capital assets, net.....	<u>\$ 44,525,626</u>			<u>\$ 47,102,743</u>

Construction Commitments

The government has active construction projects as of June 30, 2018. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Contract
Alleyway N 3rd & N 4th.....	\$ 17,199	\$ 12,801
Barn Repairs at Cates Farm.....	-	21,600
Green Street Water Line Replacement.....	9,546	72,974
Byrd's Pump Station.....	11,000	100,500
Engineering & Design - WRRF Floodwall.....	39,305	9,695
City Park.....	5,736,253	3,083,459
Total.....	<u>\$ 5,813,303</u>	<u>\$ 3,301,029</u>

B. Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Mebane 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 State 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Mebane employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Mebane's contractually required contribution rate for the year ended June 30, 2018, was 18.75% of compensation for law enforcement officers and 18.00% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Mebane were \$921,862 for the year ended June 30, 2018.

City of Mebane, North Carolina
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Refunds of Contributions – City 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 City reported a liability of \$1,668,121 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 City’s proportion of the net pension liability was based on a projection of the City’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 City’s proportion was 0.109%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$936,065. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience.....	\$ 96,099	\$ 47,219
Changes of assumptions.....	238,231	-
Net difference between projected and actual earnings on pension plan investments.....	405,022	-
Changes in proportion and differences between City contributions and proportionate share of contributions.....	1,077,044	-
City contribution subsequent to the measurement date.....	<u>921,862</u>	<u>-</u>
Total.....	<u>\$ 2,738,258</u>	<u>\$ 47,219</u>

\$921,862 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019.....	\$ 459,861
2020.....	827,988
2021.....	480,212
2022.....	1,116
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:

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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.

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.

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.

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Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

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

	<u>1% Decrease</u> <u>(6.20%)</u>	<u>Discount Rate</u> <u>(7.20%)</u>	<u>1% Increase</u> <u>(8.20%)</u>
City's proportionate share of the net pension liability (asset).....	\$ 5,007,736	\$ 1,668,121	\$ (1,119,404)

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

All full-time law enforcement officers of the City 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 receiving benefits	-
Active plan members	<u>30</u>
Total	<u>31</u>

Summary of Significant Accounting Policies:

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

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

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

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

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Mortality rates are based on the RP-2014 Mortality tables with adjustments projected forward generationally from the valuation date using MP-2015.

Contributions. The City 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 made by employees. The City'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 City paid \$6,883 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 City reported a total pension liability of \$574,870. 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, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$66,505.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$ 45,636	\$ -
Changes of assumptions.....	40,030	10,289
Benefit payments and administrative expenses made subsequent to the measurement date.....	-	-
Total.....	<u>\$ 85,666</u>	<u>\$ 10,289</u>

\$7,086 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 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.....	\$ 2,041
2020.....	2,041
2021.....	2,041
2022.....	2,041
2023.....	2,041
Thereafter.....	84

\$6,883 paid as benefits came due and \$203 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	<u>1% Decrease (2.16%)</u>	<u>Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
Total pension liability.....	\$ 644,626	\$ 574,870	\$ 512,291

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

	<u>2017</u>
Beginning balance.....	\$ 427,541
Service cost at end of year.....	37,803
Interest of total pension liability.....	16,370
Changes of benefit terms.....	-
Differences between expected and actual experience in the measurement of the total pension liability.....	53,293
Changes of assumptions or other inputs.....	46,746
Benefit payments.....	(6,883)
Other changes.....	-
Ending balance of the total pension liability.....	<u>\$ 574,870</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 from the period January 1, 2010 through December 31, 2014.

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.....	\$ 936,065	\$ 66,505	\$ 1,002,570
Pension Liability.....	1,668,121	574,870	2,242,991
Proportionate share of the net pension liability.....	0.10919%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience.....	96,099	45,636	141,735
Changes of assumptions.....	238,231	40,030	278,261
Net difference between projected and actual earnings on plan investments.....	405,022	-	405,022
Changes in proportion and differences between contributions and proportionate share of contributions.....	1,077,044	-	1,077,044
Benefit payments and administrative costs paid subsequent to the measurement date..	921,862	-	921,862
Deferred Inflows of Resources			
Differences between expected and actual experience.....	47,219	-	47,219
Changes of assumptions.....	-	10,289	10,289
Net difference between projected and actual earnings on plan investments.....	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions.....	-	-	-

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Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Pension Descriptions. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by The Prudential Insurance Company of America. The Plan provides retirement benefits to non-law enforcement officers employed by the City. The City Council has the authority for establishing or amending the plan's provisions.

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. The City Council has the authority for establishing or amending contribution requirements. Contributions for the year ended June 30, 2018 were \$341,172, which consisted of \$241,687 from the City and \$99,485, respectively, from the employees.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City 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 City. 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City 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. Contributions for the year ended June 30, 2018 were \$110,255, which consisted of \$81,479 from the City and \$28,776, respectively, from the law enforcement officers.

Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Mebane, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City is not required to contribute to the Fund; however, as a benefit to the firefighters, the City has chosen to fund the member's contributions. Contribution provisions are established by General Statute 58- 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The City of Mebane's proportionate share of the State's contribution is \$22,394.

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

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

At June 30, 2018, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$61,719. 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%. For the year ended June 30, 2018, the City recognized pension expense of \$8,003 and revenue of \$8,003 for support provided by the State. At June 30, 2018, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

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

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

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

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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.

Other Post-employment Benefits

Healthcare Benefits

Plan Description. Employees who retire under the provisions of the North Carolina Local Government Employees’ Retirement System (NCLGERS) and have fifteen (15) or more years of service with the City at the time of retirement are eligible to continue coverage in the City’s health plan, a single-employer defined benefit plan. Coverage in the health plan will continue until the retiree becomes Medicare eligible, at which time coverage will be converted to a Medicare Supplement Plan. Health care and prescription drug coverage are provided by the City’s health plan. A separate stand-alone report is not issued.

Membership of the Health Care Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	14	5
Active plan members	91	31

Total OPEB Liability

The City’s total OPEB liability of \$6,034,736 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	2.5 percent
Real wage growth	1.0 percent
Wage inflation	3.5 percent
Salary increases	General Employees- 3.50 to 7.75 percent, Firefighters 3.50 to 7.75 percent, Law Enforcement Officers 3.50 to 7.35 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare- 7.50 percent for 2017 to 5.00 percent by 2023 Medicare- 5.50 percent for 2017 to 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.

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Changes in the Total OPEB Liability

Total OPEB Liability, Balance at July 1, 2016.....	\$	6,145,476
Changes for the year		
Service cost.....		452,991
Interest.....		183,870
Changes in benefit terms.....		-
Differences between expected and actual experience.....		(9,652)
Changes in assumptions or other inputs.....		(663,734)
Benefit payments.....		(74,215)
Net changes.....		<u>(110,740)</u>
Total OPEB Liability, Balance at June 30, 2017.....	\$	<u>6,034,736</u>

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

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

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.56%)</u>	<u>(3.56%)</u>	<u>(4.56%)</u>
Total OPEB liability.....	\$ 7,317,560	\$ 6,034,736	\$ 5,040,441

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City'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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability.....	\$ 4,860,317	\$ 6,034,736	\$ 7,617,917

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$565,904. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience.....	\$ -	\$ 8,635
Changes of assumptions.....	-	593,794
Benefit payments and administrative costs made subsequent to the measurement date.....	<u>62,055</u>	-
Total.....	<u>\$ 62,055</u>	<u>\$ 602,429</u>

\$62,055 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a

City of Mebane, North Carolina
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decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:

2019.....	\$	70,957
2020.....		70,957
2021.....		70,957
2022.....		70,957
2023.....		70,957
Thereafter.....		247,644

Other Employment Benefits

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

Deferred Outflows and Inflows of Resources

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

Bonding and refunding costs.....	\$	6,840
Pensions- differences between expected and actual experience.....		141,735
Pensions- change of assumptions.....		278,261
Pensions- difference between projected and actual investment earnings.....		405,022
Pensions- change in proportion and difference between employer contributions and proportionate share of contributions.....		1,077,044
Contributions to pension plan in current fiscal year.....		921,862
Benefit payments for OPEB made subsequent to measurement date.....		62,055
LEOSSA- benefit payments made and administrative expenses.....		-
Total.....	\$	<u>2,892,819</u>

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

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Pensions- differences between expected and actual experience.....	\$ 47,219	\$ -
LEOSSA- change of assumptions.....	10,289	-
OPEB- differences between expected and actual experience.....	8,635	-
OPEB- change of assumptions.....	593,795	-
Prepaid taxes and licenses (General Fund).....	806	806
Taxes receivable, less penalties (General Fund).....	-	81,688
Total.....	<u>\$ 660,744</u>	<u>\$ 82,494</u>

Risk Management

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

The City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$50,000 each and the City Manager for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2018, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Long-Term Obligations

General Obligation Indebtedness

The general obligation bonds and the notes payable, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated on all indebtedness when due.

Bonds and notes payable at June 30, 2018 are comprised of the following individual issues:

General Obligation Bonds:

There were no general obligation bonds payable at June 30, 2018.

Installment Purchases:

Serviced by the General Fund:

Note payable to Bank of America, N.A. for the Library renovation project. Principal payments of \$76,667 plus interest are due semi-annually starting on September 29, 2005. The note bears interest at the rate of 3.655%. The new Library building is security for the loan.\$ 230,000

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Note payable to Bank of America, N.A. for the City Hall and Recreation Building renovation projects. Principal payments of \$106,667 plus interest are due semi-annually starting on December 27, 2008. The note bears interest at the rate of 3.52%. The City Hall and Recreation buildings are security for the loan.	1,066,667
Note payable to Wells Fargo Bank, N.A. for the purchase of a street sweeper and a garbage truck. Consecutive principal payments of \$92,960, \$94,191, \$95,438, \$96,702, and \$97,983, plus interest are due annually starting on September 11, 2014. The note bears interest at the rate of 1.32%. The street sweeper and garbage truck are security for the loan.....	97,983
Note payable to BB&T for the Southside Fire Station Project. Principal payments of \$86,667 plus interest are due semi-annually starting on July 23, 2014. The note bears interest at the rate of 2.84%. All property, equipment and deposits acquired with these local funds are the security for the loan.....	1,906,667
Note payable to Piedmont Electric Membership Corporation as part of the USDA Rural Economic Development Loan (REDL) Program for the purchase of two fire trucks and related fire truck equipment and firefighting equipment for the Southside Fire Station. Principal payments of \$140,889 are due annually starting on February 1, 2015 with final payment due February 1, 2023. The note bears no interest as part of the REDL program. The fire trucks and equipment are security for the loan.....	704,444
Note payable to Piedmont Electric Membership Corporation as part of the USDA Rural Economic Development Loan (REDL) Program for the purchase of a fire truck. Principal payments of \$46,833 are due annually starting on August 1, 2017 with final payment due August 1, 2026. The note bears no interest as part of the REDL program. The fire truck is security for the loan.....	421,497
Note payable to American National Bank and Trust Company for the City Park Project. Principal payments of \$194,333 plus interest are due semi-annually starting on October 15, 2017. The note bears interest at the rate of 3.23%. All property, improvements and equipment acquired with these local funds are the security for the loan.	5,441,333
Note payable to Branch Banking and Trust Company for the Fire Department Radio Equipment. Principal payments of \$43,187 plus interest are due semi-annually starting on April 27, 2018. The note bears interest at the rate of 1.85%. All equipment and improvements acquired with these local funds are the security for the loan.	388,686
Served by the Water and Sewer Fund:	
Loan from the North Carolina Water Pollution Control Revolving Fund for 9th Street Sewer improvements. Principal payments of \$4,806 annually on the indebtedness started on May 1, 2010. The interest rate as established under this program is zero percent.	52,862
Note payable to Carolina Bank for the water treatment plant upgrade and expansion projects. Principal and interest payments are due annually on July 1, in varying amounts, starting July 1, 2015 and ending July 1, 2029. The note bears interest at the rate of 2.60%. All property, equipment and deposits acquired with these local funds are the security for the loan.	3,873,000

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

Note payable to BB&T for the construction of a Sewer Pump Station, main, outfall and tunnel. Principal payments of \$66,667 plus interest are due semi-annually starting on May 1, 2008. The note bears interest at the rate of 3.85%. 533,333

Total long-term debt..... 14,716,472

Less: Current portion of long-term debt..... (1,717,885)

Non-current portion of long-term debt.....\$ 12,998,587

At June 30, 2018, the City of Mebane had no authorized but unissued bonds and had a legal debt margin of \$154,137,370.

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2018 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

	<u>General Obligation Bonds</u>		<u>Other Long-term Indebtedness</u>		<u>Total Debt Due</u>	
<u>Fiscal Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
<u>Serviced by General Fund:</u>						
2019.....	\$ -	\$ -	\$ 1,300,746	\$ 278,487	\$ 1,300,746	\$ 278,487
2020.....	-	-	1,126,097	245,512	1,126,097	245,512
2021.....	-	-	1,049,430	216,886	1,049,430	216,886
2022.....	-	-	1,049,430	190,127	1,049,430	190,127
2023.....	-	-	1,006,243	163,369	1,006,243	163,369
2024-2028.....	-	-	2,997,331	522,377	2,997,331	522,377
2029-maturity.....	-	-	<u>1,728,000</u>	<u>118,299</u>	<u>1,728,000</u>	<u>118,299</u>
Total.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,257,277</u>	<u>\$ 1,735,057</u>	<u>\$ 10,257,277</u>	<u>\$ 1,735,057</u>
<u>Serviced by Water & Sewer Fund:</u>						
2019.....	\$ -	\$ -	\$ 417,139	\$ 116,321	\$ 417,139	\$ 116,321
2020.....	-	-	424,139	103,843	424,139	103,843
2021.....	-	-	431,139	52,482	431,139	52,482
2022.....	-	-	440,139	78,314	440,139	78,314
2023.....	-	-	313,806	66,521	313,806	66,521
2024-2028.....	-	-	1,695,028	206,167	1,695,028	206,167
2029-maturity.....	-	-	<u>737,805</u>	<u>15,175</u>	<u>737,805</u>	<u>15,175</u>
Total.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,459,195</u>	<u>\$ 638,823</u>	<u>\$ 4,459,195</u>	<u>\$ 638,823</u>

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

Changes in Long-Term Liabilities

	<u>Balance July 1,</u> <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June</u> <u>30, 2018</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<u>Governmental activities:</u>					
Notes payable.....	\$ 11,141,683	\$ 431,873	\$ 1,316,279	\$ 10,257,277	\$ 1,300,746
Compensated absences.....	374,627	316,780	285,104	406,303	316,780
Total OPEB liability.....	5,332,571	-	97,125	5,235,446	-
Net pension liability (LGERS).....	1,986,181	-	525,131	1,461,050	-
Total pension liability (LEO).....	<u>427,541</u>	<u>147,329</u>	<u>-</u>	<u>574,870</u>	<u>-</u>
Governmental activity					
long-term liabilities.....	<u>\$ 19,262,603</u>	<u>\$ 895,982</u>	<u>\$ 2,223,639</u>	<u>\$ 17,934,946</u>	<u>\$ 1,617,526</u>
<u>Business-type activities:</u>					
Notes payable.....	\$ 4,869,335	\$ -	\$ 410,140	\$ 4,459,195	\$ 417,139
Graham/Mebane Watershed Agreement.....	2,165,861	-	127,403	2,038,458	127,403
Graham/Mebane Capacity Agreement.....	2,682,464	-	200,000	2,482,464	200,000
General obligation bonds.....	95,000	-	95,000	-	-
Net pension liability (LGERS).....	280,685	-	73,614	207,071	-
Compensated absences.....	56,747	44,782	36,478	65,051	44,782
Total OPEB liability.....	<u>812,905</u>	<u>-</u>	<u>13,615</u>	<u>799,290</u>	<u>-</u>
Business-type activity					
long-term liabilities.....	<u>\$ 10,962,997</u>	<u>\$ 44,782</u>	<u>\$ 956,250</u>	<u>\$ 10,051,529</u>	<u>\$ 789,324</u>

Compensated absences, the net pension obligation, and the net Other Postemployment Benefit obligation for governmental activities have typically been liquidated in the General Fund.

C. Interfund Balances and Activity

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances routinely clear out each month prior to or at year-end.

There were no balances due to/from other funds at June 30, 2018.

A summary of interfund transfers for the fiscal year ended June 30, 2018 is as follows:

Transfer from White Furniture Storm Drain Relocation Capital Project Fund to:	
General Fund.....	\$ 212,399
Transfer from General Fund to:	
City Park Project Fund.....	1,512,411
Transfer from White Furniture Storm Drain Relocation Capital Project Fund to:	
Water and Sewer Fund.....	2,003
Transfer from Wastewater Treatment Plant Upgrade Capital Project Fund to:	
Water and Sewer Fund.....	20,294
Transfer from Water Treatment Plant Stage 2 Capital Project Fund to:	
Water and Sewer Fund.....	15,269
Total.....	<u>\$ 1,762,376</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them and (2) use unrestricted revenues collected in the

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Further, during the year ended June 30, 2018, the City made the following one-time transfers:

- 1) A transfer of \$212,399 from the White Furniture Storm Drain Relocation Capital Project Fund to the General Fund to close out the capital project.
- 2) A transfer of \$1,512,411 from the General Fund to the City Park Project Fund for construction of a park and capital outlays for recreation purposes.
- 3) A transfer of \$2,003 from the White Furniture Storm Drain Relocation Capital Project Fund to the Water and Sewer Fund to close out the capital project.
- 4) A transfer of \$20,294 from the Wastewater Treatment Plant Upgrade Capital Project Fund to the Water and Sewer Fund to close out the capital project.
- 5) A transfer of \$15,269 from the Water Treatment Plant Stage 2 Capital Project Fund to the Water and Sewer Fund to close out the capital project.

D. On-Behalf Payments for Fringe Benefits and Salaries

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$18,987, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen’s Relief Fund during the fiscal year ended June 30, 2018. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets.....	\$ 50,868,231	\$ 47,102,743
less: long-term debt.....	10,257,277	8,980,117
add: unexpended debt proceeds.....	-	-
Net investment in capital assets.....	<u>\$ 40,610,954</u>	<u>\$ 38,122,626</u>

F. 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.....	\$ 12,197,410
Less: Nonspendable Prepaid Assets.....	(131,945)
Stabilization by State Statute.....	(2,673,951)
Appropriated fund balance in 2019 budget.....	(1,828,000)
Working capital.....	(7,563,514)
Remaining fund balance.....	<u>\$ -</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances for the Governmental Funds at June 30, 2018 were \$232,325 for the General Fund, and \$3,083,459 for the City Park Capital Project Fund.

G. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member and one alternate if they so desire, to the Council’s governing board. The City paid \$2,651 in

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2018

general membership fees and \$4,500 in stormwater fees to the Council during the fiscal years ended June 30, 2018.

H. Joint Ventures

The City, in conjunction with the Cities of Burlington and Graham, participate in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 38 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Graham are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

I. Joint Operation

The City of Mebane and the City of Graham are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time, the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the payable as of June 30, 2018 was \$2,038,458.

J. Interlocal Cooperation Agreement

The City of Mebane and the City of Graham entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Mebane and the City of Graham based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2017. No interest is included in the agreement. The balance of the payable as of June 30, 2018 was \$2,482,464.

K. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 grant monies.

L. Significant Effects of Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through October 31, 2018, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

M. Change in Accounting Principles/Restatement

The City 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 City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$2,027,899 and \$309,136 for the business-type activities.

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Required Supplementary Information

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

- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- **Schedule of Contributions to Local Government Employees' Retirement System**
- **Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan**
- **Schedule of Changes in Total Pension Liability (Asset) for Firefighters' and Rescue Squad Workers' Pension Plan**
- **Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance**
- **Schedule of Changes in Total OPEB Liability and Related Ratios**



City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Proportionate Share of Net Pension Liability (Asset)
Last Five Fiscal Years *
June 30, 2018

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mebane's proportion of the net pension liability (asset) (%)....	0.10919%	0.10681%	0.10043%	0.09862%	0.99260%
Mebane's proportion of the net pension liability (asset) (\$).....	\$ 1,668,121	\$ 2,266,866	\$ 450,724	\$ (581,608)	\$ 1,116,186
Mebane's covered-employee payroll.....	\$ 6,062,960	\$ 5,990,336	\$ 5,169,065	\$ 5,064,935	\$ 4,888,462
Mebane's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.....	27.51%	37.84%	8.72%	(11.48%)	22.83%
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 schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Contributions
Last Five Fiscal Years *
June 30, 2018

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution.....	\$ 364,077	\$ 438,800	\$ 404,627	\$ 376,969	\$ 353,916
Contributions in relation to the contractually required contribution.....	<u>364,077</u>	<u>438,800</u>	<u>404,627</u>	<u>376,969</u>	<u>353,916</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mebane's covered-employee payroll.....	\$ 6,539,336	\$ 6,062,960	\$ 5,990,336	\$ 5,169,065	\$ 5,064,935
Contributions as a percentage of covered-employee payroll.....	5.57%	7.24%	6.75%	7.29%	6.99%

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

City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Proportionate Share of Net Pension Liability
Last Four Fiscal Years *
June 30, 2018

Firefighters' and Rescue Squad Workers' Pension

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mebane's proportionate share of the net pension liability (%).....	0.00000%	0.00000%	0.00000%	0.00000%
Mebane's proportionate share of the net pension liability (\$).....	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Mebane.....	<u>61,719</u>	<u>45,002</u>	<u>38,775</u>	<u>31,152</u>
Total.....	<u>\$ 61,719</u>	<u>\$ 45,002</u>	<u>\$ 38,775</u>	<u>\$ 31,152</u>
Mebane's covered-employee payroll.....	\$ 1,289,371	\$ 1,227,668	\$ 1,268,042	\$ 945,728
Mebane's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.....	4.79%	3.67%	3.06%	3.29%
Plan fiduciary net position as a percentage of the total pension liability.....	89.35%	84.94%	91.40%	93.42%

* The amounts are presented for the prior fiscal year. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance.....	\$ 427,541	\$ 400,968
Service cost.....	37,803	35,736
Interest on the total pension liability.....	16,370	14,155
Changes of benefit terms.....	-	-
Differences between expected and actual experience in the measurement of the total pension liability.....	53,293	-
Changes of assumptions or other inputs.....	46,746	(14,371)
Benefit payments.....	(6,883)	(8,947)
Other changes.....	-	-
Ending balance of the total pension liability.....	<u>\$ 574,870</u>	<u>\$ 427,541</u>

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

City of Mebane, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total pension liability.....	\$ 574,870	\$ 427,541	\$ 400,968	\$ 258,154	\$ 238,533	\$ 226,153	\$ 224,291	\$ 267,638
Covered payroll.....	1,553,944	1,443,743	1,443,743	1,228,378	1,097,171	931,673	946,084	831,610
Total pension liability as a percentage of covered payroll.....	36.99%	29.61%	27.77%	21.02%	21.74%	24.27%	23.71%	32.18%

Notes to the Required Schedules

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

City of Mebane, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2018

<u>Total OPEB Liability</u>	<u>2018</u>
Service cost.....	\$ 452,991
Interest	183,870
Changes of benefit terms.....	-
Differences between expected and actual experience.....	(9,652)
Changes of assumptions.....	(663,734)
Benefit payments.....	<u>(74,215)</u>
Net change in total OPEB liability.....	(110,740)
Total OPEB liability - beginning.....	<u>6,145,476</u>
Total OPEB liability - ending.....	<u>\$ 6,034,736</u>
Covered payroll.....	6,100,000
Total OPEB liability as a percentage of covered payroll.....	98.93%

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	3.56%

Major Governmental Funds

- **The General Fund** – This fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.
- **The City Park Capital Project Fund** – This fund is used to account for the land purchase and construction of the city park.



City of Mebane, North Carolina
Comparative Balance Sheets
General Fund
June 30, 2018 and 2017

Statement A-1

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Cash and equivalents.....	\$ 10,470,171	\$ 11,779,581
Restricted cash.....	794,986	442,528
Taxes receivable.....	81,687	107,130
Accounts receivable.....	103,279	57,241
Prepaid items.....	131,945	51,005
Due from other governments.....	<u>2,338,347</u>	<u>2,409,499</u>
Total assets.....	<u>\$ 13,920,415</u>	<u>\$ 14,846,984</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,005,231	\$ 811,941
Due to other governments.....	6,433	-
Payable from restricted assets.....	<u>628,847</u>	<u>442,528</u>
Total liabilities.....	<u>1,640,511</u>	<u>1,254,469</u>
Deferred inflows of resources.....	82,494	107,937
Fund balances:		
Nonspendable:		
Prepaid assets.....	131,945	51,005
Restricted for:		
Stabilization by State Statute.....	2,673,951	2,545,731
Assigned:		
Subsequent year's expenditures.....	1,828,000	1,803,854
Unassigned.....	<u>7,563,514</u>	<u>9,083,988</u>
Total fund balances.....	<u>12,197,410</u>	<u>13,484,578</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 13,920,415</u>	<u>\$ 14,846,984</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement A-2

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues				
Property taxes:				
Current and prior years.....	\$	\$ 9,847,675	\$	\$ 9,314,620
Penalties and interest, net of discounts.....		3,930		35,243
Total.....	<u>9,561,653</u>	<u>9,851,605</u>	<u>289,952</u>	<u>9,349,863</u>
Other taxes and licenses:				
Privilege licenses.....	<u>500</u>	<u>1,005</u>	<u>505</u>	<u>960</u>
Unrestricted intergovernmental:				
Local Option Sales Tax.....		3,143,388		2,952,310
Telecommunications sales tax.....		96,923		105,573
Utility franchise tax.....		1,110,042		1,068,679
Video franchise fee.....		64,090		65,483
Beer and wine tax.....		55,687		57,134
ABC profit distribution.....		83,969		41,181
Tax sharing.....		278,273		104,400
Other.....		33,667		32,410
Total.....	<u>4,969,643</u>	<u>4,866,039</u>	<u>(103,604)</u>	<u>4,427,170</u>
Restricted intergovernmental:				
Powell Bill Allocation.....		343,853		341,087
Controlled substance tax.....		6,167		17,402
ABC Revenue for law enforcement.....		22,001		8,950
Solid waste disposal tax.....		8,542		8,479
On-behalf of payments - fire.....		41,381		34,735
Federal equitable sharing.....		150,169		17,187
One NC Grant.....		182,500		-
Other grants and awards.....		54,800		14,800
Fire district tax funds.....		456,555		461,979
Total.....	<u>1,041,900</u>	<u>1,265,968</u>	<u>224,068</u>	<u>904,619</u>
Permits and fees:				
Building permits.....		190,930		230,522
Inspection fees.....		207,429		206,167
Street and utility inspection fees.....		9,280		42,860
Other.....		3,941		3,260
Total.....	<u>433,000</u>	<u>411,580</u>	<u>(21,420)</u>	<u>482,809</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement A-2

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Revenues (continued)				
Sales and services:				
Recreation department fees.....	\$	\$ 92,468	\$	\$ 92,140
Sanitation fees.....		349,815		329,174
Other.....		19,750		23,500
Total.....	<u>405,450</u>	<u>462,033</u>	<u>56,583</u>	<u>444,814</u>
Investment earnings.....	<u>12,000</u>	<u>47,386</u>	<u>35,386</u>	<u>10,508</u>
Miscellaneous:				
Material sales.....		11,260		7,294
Rent.....		60,580		58,291
Other grants and awards.....		-		24,886
Other.....		105,666		90,088
Total.....	<u>129,500</u>	<u>177,506</u>	<u>48,006</u>	<u>180,559</u>
Total revenues.....	<u>16,553,646</u>	<u>17,083,122</u>	<u>529,476</u>	<u>15,801,302</u>
Expenditures				
General government:				
Council:				
Salaries and employee benefits.....		58,894		58,924
Other operating expenditures.....		24,741		17,170
Total.....	<u>95,373</u>	<u>83,635</u>	<u>11,738</u>	<u>76,094</u>
Administration:				
Salaries and employee benefits.....		626,523		632,549
Other operating expenditures.....		204,594		111,335
Capital outlay.....		26,973		22,744
Total.....	<u>1,031,637</u>	<u>858,090</u>	<u>173,547</u>	<u>766,628</u>
Information Technology:				
Salaries and employee benefits.....		73,028		86,401
Other operating expenditures.....		115,699		112,180
Capital outlay.....		17,771		11,755
Total.....	<u>243,581</u>	<u>206,498</u>	<u>37,083</u>	<u>210,336</u>
Finance:				
Salaries and employee benefits.....		264,455		261,039
Other operating expenditures.....		220,485		202,374
Capital outlay.....		75,192		13,937
Total.....	<u>740,292</u>	<u>560,132</u>	<u>180,160</u>	<u>477,350</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement A-2

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Expenditures (continued)				
General government:				
Non-departmental:				
Other operating expenditures.....	\$	\$ 536,543	\$	\$ 466,631
Total.....	579,123	536,543	42,580	466,631
Total general government.....	2,690,006	2,244,898	445,108	1,997,039
Public safety:				
Police:				
Salaries and employee benefits.....		2,695,189		2,503,142
Maintenance.....		99,429		130,534
Other operating expenditures.....		442,300		496,926
Capital outlay.....		347,736		189,622
Total.....	3,820,606	3,584,654	235,952	3,320,224
Fire department:				
Salaries and employee benefits.....		1,986,879		1,950,193
Maintenance.....		117,216		99,602
Other operating expenditures.....		432,425		272,951
Capital outlay.....		405,407		528,074
Total.....	3,179,914	2,941,927	237,987	2,850,820
Total public safety.....	7,000,520	6,526,581	473,939	6,171,044
Public works:				
Public works and maintenance:				
Salaries and employee benefits.....		818,313		929,234
Maintenance.....		926,140		661,971
Other operating expenditures.....		590,083		564,812
Capital outlay.....		185,658		253,592
Total.....	3,392,589	2,520,194	872,395	2,409,609
Sanitation:				
Salaries and employee benefits.....		377,019		376,273
Maintenance.....		89,641		93,985
Tipping fees.....		320,443		305,451
Other operating expenditures.....		93,382		83,451
Total.....	988,905	880,485	108,420	859,160
Total public works.....	4,381,494	3,400,679	980,815	3,268,769

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement A-2

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Expenditures (continued)				
Recreation:				
Parks and recreation:				
Salaries and employee benefits.....		\$ 654,994		\$ 644,605
Maintenance.....		115,123		126,649
Other operating expenditures.....		356,142		265,830
Capital outlay.....		702,682		19,525
Total.....	<u>2,230,939</u>	<u>1,828,941</u>	<u>401,998</u>	<u>1,056,609</u>
Total recreation.....	<u>2,230,939</u>	<u>1,828,941</u>	<u>401,998</u>	<u>1,056,609</u>
Economic and physical development:				
Planning, zoning, and inspections:				
Salaries and employee benefits.....		556,181		508,232
Maintenance.....		8,152		5,134
Professional services.....		240,186		247,737
Other operating expenditures.....		114,552		79,260
Capital outlay.....		25,220		-
Total.....	<u>1,025,613</u>	<u>944,291</u>	<u>81,322</u>	<u>840,363</u>
Economic development:				
Other operating expenditures.....		933,883		(137,301)
Total.....	<u>1,288,350</u>	<u>933,883</u>	<u>354,467</u>	<u>(137,301)</u>
Total economic and physical development.....	<u>2,313,963</u>	<u>1,878,174</u>	<u>435,789</u>	<u>703,062</u>
Debt Service:				
Principal Retirement.....	1,318,448	1,316,286	2,162	836,338
Interest and other charges.....	309,536	306,592	2,944	139,372
Total debt service.....	<u>1,627,984</u>	<u>1,622,878</u>	<u>5,106</u>	<u>975,710</u>
Total expenditures.....	<u>20,244,906</u>	<u>17,502,151</u>	<u>2,742,755</u>	<u>14,172,233</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017) **Statement A-2**

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	
Excess (deficiency) of revenues over expenditures.....	<u>\$ (3,691,260)</u>	<u>\$ (419,029)</u>	<u>\$ 3,272,231</u>	<u>\$ 1,629,069</u>
Other Financing Sources (Uses)				
Transfers in.....	212,398	212,399	1	-
Transfers out.....	(1,877,411)	(1,512,411)	365,000	(60,000)
Proceeds from long-term debt obligations issued.....	<u>436,000</u>	<u>431,873</u>	<u>(4,127)</u>	<u>468,330</u>
Total other financing sources (uses).....	<u>(1,229,013)</u>	<u>(868,139)</u>	<u>360,874</u>	<u>408,330</u>
Fund balance appropriated.....	<u>4,920,273</u>	<u>-</u>	<u>(4,920,273)</u>	<u>-</u>
Net change in fund balances.....	<u>\$ -</u>	<u>(1,287,168)</u>	<u>\$ (1,287,168)</u>	2,037,399
Fund balances - beginning		<u>13,484,578</u>		<u>11,447,179</u>
Fund balances - ending.....		<u>\$ 12,197,410</u>		<u>\$ 13,484,578</u>

City of Mebane, North Carolina
Comparative Balance Sheets
Capital Project Fund - City Park Project
June 30, 2018 and 2017

Statement A-3

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Cash and equivalents.....	\$ 2,358,926	\$ 5,817,337
Restricted cash.....	-	-
Total assets.....	<u>\$ 2,358,926</u>	<u>\$ 5,817,337</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 621,042	\$ 93,995
Due to other funds.....	-	-
Total liabilities.....	<u>621,042</u>	<u>93,995</u>
Fund balances:		
Assigned for		
City Park Capital Outlay.....	<u>1,737,884</u>	<u>5,723,342</u>
Total fund balances.....	<u>1,737,884</u>	<u>5,723,342</u>
Total liabilities and fund balances.....	<u>\$ 2,358,926</u>	<u>\$ 5,817,337</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Project Fund - City Park Project
From Inception and For the Year Ended June 30, 2018

Statement A-4

	<u>Actual</u>				<u>Variance</u>
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive</u> <u>(Negative)</u>
Revenues					
Investment earnings.....	\$ -	\$ 10,745	\$ 77,622	\$ 88,367	\$ 88,367
Parks and Recreation Trust Fund Grant.....	335,000	-	-	-	(335,000)
Miscellaneous grants.....	150,000	-	135,000	135,000	(15,000)
Total revenues.....	485,000	10,745	212,622	223,367	(261,633)
Expenditures					
Professional services.....	807,860	580,207	101,905	682,112	125,748
Land Purchase.....	661,779	662,584	-	662,584	(805)
Capital Outlay - Buildings.....	1,025,883	-	425,255	425,255	600,628
Construction.....	7,009,029	88,527	4,605,025	4,693,552	2,315,477
Utility Construction.....	634,870	-	578,306	578,306	56,564
Contingency.....	60,375	-	-	-	60,375
Total expenditures.....	10,199,796	1,331,318	5,710,491	7,041,809	3,157,987
Revenue over (under) expenditures.....	(9,714,796)	(1,320,573)	(5,497,869)	(6,818,442)	2,896,354
Other Financing Sources (Uses)					
Operating transfers in:					
From General Fund for					
capital improvements.....	3,091,326	1,213,915	1,512,411	2,726,326	(365,000)
From Utility Fund for					
capital improvements.....	793,470	-	-	-	(793,470)
Installment purchase obligations					
issued.....	5,830,000	5,830,000	-	5,830,000	-
Total other financing sources (uses).....	9,714,796	7,043,915	1,512,411	8,556,326	(1,158,470)
Revenues and other sources over (under)					
 expenditures and other uses.....	\$ -	\$ 5,723,342	(3,985,458)	\$ 1,737,884	\$ 1,737,884
Fund balance, July 1.....			5,723,342		
Fund balance, June 30.....			\$ 1,737,884		

Non-Major Governmental Funds

Non-major governmental funds are those funds whose revenues, expenditures/expenses, assets or liabilities are less than 10% of corresponding totals for all governmental or enterprise funds or less than 5% of the aggregate amount for all governmental and enterprise funds for the same item.

- **The Mebane Mills Loft Community Development Block Grant (CDBG) Special Revenue Fund** – This fund is used to account for all block grant funds expended for the renovation of the old Dixie Yarns Building into subsidized housing.
- **The White Furniture Storm Drain Relocation Capital Project Fund** – This fund is used to account for the construction of the storm drain relocation for the Lofts at White Furniture apartment complex rehabilitation.
- **The Impact Alamance Grant Special Revenue Fund** – This fund is used to account for expenditures related to the Impact Alamance Grant.



**City of Mebane, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

Statement B-1

	<u>Special Revenue Fund - CDBG - Mebane Mills Loft</u>	<u>Capital Project Fund - White Furniture Storm Drain Relocation</u>	<u>Special Revenue Fund - Impact Alamance Grant</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 19,138	\$ 19,138
Restricted cash.....	83,628	-	-	83,628
Total assets.....	<u>\$ 83,628</u>	<u>\$ -</u>	<u>\$ 19,138</u>	<u>\$ 102,766</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable.....	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted				
Economic Development.....	83,628	-	-	83,628
Assigned				
White Furniture Storm Drain				
Relocation Capital Outlay.....	-	-	-	-
City Park Capital Outlay.....	-	-	19,138	19,138
Total fund balances.....	<u>83,628</u>	<u>-</u>	<u>19,138</u>	<u>102,766</u>
Total liabilities and fund balances.....	<u>\$ 83,628</u>	<u>\$ -</u>	<u>\$ 19,138</u>	<u>\$ 102,766</u>

City of Mebane, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018 **Statement B-2**

	<u>Special</u> <u>Revenue</u> <u>Fund - CDBG -</u> <u>Mebane Mills</u> <u>Loft</u>	<u>Capital</u> <u>Project Fund -</u> <u>White</u> <u>Furniture</u> <u>Storm Drain</u> <u>Relocation</u>	<u>Special</u> <u>Revenue</u> <u>Fund - Impact</u> <u>Alamance</u> <u>Grant</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Program revenue.....	\$ 9,632	\$ -	\$ -	\$ 9,632
Interest earnings.....	4,294	-	-	4,294
Impact Alamance Grant.....	-	-	-	-
Total revenues.....	<u>13,926</u>	<u>-</u>	<u>-</u>	<u>13,926</u>
Expenditures				
Engineering and Construction Administration.....	-	-	-	-
Small equipment.....	-	-	-	-
Capital outlay - Other.....	-	-	29,495	29,495
Capital outlay - Equipment.....	-	-	-	-
Total expenditures.....	<u>-</u>	<u>-</u>	<u>29,495</u>	<u>29,495</u>
Excess (deficiency) of revenues over expenditures	<u>13,926</u>	<u>-</u>	<u>(29,495)</u>	<u>(15,569)</u>
Other Financing Sources (Uses)				
Transfers from other funds.....	-	-	-	-
Transfers to other funds.....	-	(214,401)	-	(214,401)
Total Other Financing Sources (Uses).....	<u>-</u>	<u>(214,401)</u>	<u>-</u>	<u>(214,401)</u>
Net change in fund balances.....	13,926	(214,401)	(29,495)	(229,970)
Fund balances - beginning.....	69,702	214,401	48,633	332,736
Fund balances - ending.....	<u>\$ 83,628</u>	<u>\$ -</u>	<u>\$ 19,138</u>	<u>\$ 102,766</u>

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - CDBG - Mebane Mills Loft
From Inception and For the Year Ended June 30, 2018 **Statement B-3**

	<u>Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Positive (Negative)</u>
			<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
CDBG.....	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Program revenue- principal receipts.....	-	45,150	9,632	54,782	54,782
Program revenue- interest receipts.....	-	24,552	4,294	28,846	28,846
Total revenues.....	<u>250,000</u>	<u>319,702</u>	<u>13,926</u>	<u>333,628</u>	<u>83,628</u>
Expenditures					
Pedestrian improvements.....	56,700	56,700	-	56,700	-
Historic preservation.....	145,645	145,645	-	145,645	-
Other activities.....	27,655	27,655	-	27,655	-
Administration.....	20,000	20,000	-	20,000	-
Total expenditures.....	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Revenue over (under) expenditures.....	<u>-</u>	<u>69,702</u>	<u>13,926</u>	<u>83,628</u>	<u>83,628</u>
Net change in fund balance.....	<u>\$ -</u>	<u>\$ 69,702</u>	13,926	<u>\$ 83,628</u>	<u>\$ 83,628</u>
Fund balance, July 1.....			69,702		
Fund balance, June 30.....			<u>\$ 83,628</u>		

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Project Fund - White Furniture Storm Drain Relocation
From Inception and For the Year Ended June 30, 2018 **Statement B-4**

	<u>Actual</u>				<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and					
Construction Administration.....	\$ 142,646	\$ 142,646	\$ -	\$ 142,646	\$ -
Capital Outlay - Other.....	649,956	649,956	-	649,956	-
Utility Construction.....	52,997	52,997	-	52,997	-
Contingency.....	-	-	-	-	-
Total expenditures.....	<u>845,599</u>	<u>845,599</u>	<u>-</u>	<u>845,599</u>	<u>-</u>
Revenue over (under) expenditures.....	<u>(845,599)</u>	<u>(845,599)</u>	<u>-</u>	<u>(845,599)</u>	<u>-</u>
Other Financing Sources (Uses)					
Operating transfers in:					
From General Fund for					
capital improvements.....	1,005,000	1,005,000	-	1,005,000	-
From Water and Sewer Fund for					
capital improvements.....	55,000	55,000	-	55,000	-
Transfers to other funds:					
to General Fund.....	(212,398)	-	(212,398)	(212,398)	-
to Water and Sewer Fund.....	(2,003)	-	(2,003)	(2,003)	-
Total other financing sources (uses).....	<u>845,599</u>	<u>1,060,000</u>	<u>(214,401)</u>	<u>845,599</u>	<u>-</u>
Revenues and other sources over (under)					
 expenditures and other uses.....	<u>\$ -</u>	<u>\$ 214,401</u>	<u>(214,401)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, July 1.....			214,401		
Fund balance, June 30.....			<u>\$ -</u>		

City of Mebane, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Impact Alamance Grant
From Inception and For the Year Ended June 30, 2018 **Statement B-5**

	<u>Authorization</u>	<u>Actual</u>			<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive</u> <u>(Negative)</u>
Revenues					
Impact Alamance Grant.....	\$ 80,000	\$ 80,000	\$ -	\$ 80,000	\$ -
Total revenues.....	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
Expenditures					
Small equipment.....	17,200	16,087	-	16,087	1,113
Capital Outlay - Other	104,800	58,006	29,495	87,501	17,299
Capital Outlay - Equipment.....	18,000	17,274	-	17,274	726
Total expenditures.....	<u>140,000</u>	<u>91,367</u>	<u>29,495</u>	<u>120,862</u>	<u>19,138</u>
Revenue over (under) expenditures.....	<u>(60,000)</u>	<u>(11,367)</u>	<u>(29,495)</u>	<u>(40,862)</u>	<u>19,138</u>
Other Financing Sources (Uses)					
Operating transfers in:					
From General Fund for					
capital improvements.....	60,000	60,000	-	60,000	-
Total other financing sources (uses).....	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Revenues and other sources over (under)					
expenditures and other uses.....	<u>\$ -</u>	<u>\$ 48,633</u>	<u>(29,495)</u>	<u>\$ 19,138</u>	<u>\$ 19,138</u>
Fund balance, July 1.....			48,633		
Fund balance, June 30.....			<u>\$ 19,138</u>		

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Proprietary Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

- **Water and Sewer Fund** – This fund is used to account for the operations of the City's water and sewer system.
- **Utility – Capital Project Fund** – This fund is used to account for various capital projects related to the Water and Sewer Fund.
- **Wastewater Treatment Plant Upgrade – Capital Project Fund** – This fund is used to account for the construction upgrade of the City's wastewater treatment plant.
- **Water Treatment Plant Stage 2 – Capital Project Fund** – This fund is used to account for stage 2 of the construction upgrade of the City's water treatment plant.
- **Water Line Extensions – Capital Project Fund** – This fund is used to account for water line extensions for the City's economic development projects.



City of Mebane, North Carolina
Comparative Statement of Net Position
Proprietary Funds
June 30, 2018 and 2017

Statement C-1

	<u>June 30, 2018</u>	<u>June 30, 2017</u> <u>Restated</u>
Assets		
Current assets:		
Cash and equivalents.....	\$ 9,227,258	\$ 8,458,605
Restricted cash.....	503,249	465,299
Accounts Receivable, net - billed.....	523,261	541,090
Accounts Receivable, net - unbilled.....	238,576	217,844
Due from other governments.....	2,600	735,731
Prepaid items.....	1,310	-
Total current assets.....	<u>10,496,254</u>	<u>10,418,569</u>
Non-current assets:		
Capital assets:		
Land and other non-depreciable assets.....	281,094	5,099,267
Other capital assets, net of depreciation.....	46,821,649	39,426,359
Total capital assets.....	<u>47,102,743</u>	<u>44,525,626</u>
Total non-current assets.....	<u>47,102,743</u>	<u>44,525,626</u>
Total assets.....	<u>57,598,997</u>	<u>54,944,195</u>
Deferred outflows of resources.....	<u>349,970</u>	<u>423,625</u>
Total assets and deferred outflows of resources.....	<u>\$ 57,948,967</u>	<u>\$ 55,367,820</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 231,726	\$ 747,347
Accrued interest payable.....	47,488	15,240
Due to other governments.....	499,004	-
Payable from restricted assets.....	503,249	465,299
Compensated absences.....	44,782	31,045
Long-term debt - current.....	744,542	737,542
General obligation bonds payable - current.....	-	95,000
Total current liabilities.....	<u>2,070,791</u>	<u>2,091,473</u>
Noncurrent liabilities:		
Compensated absences.....	20,268	25,702
Net pension liability.....	207,071	280,685
Other postemployment benefits.....	799,290	812,905
Long-term debt - noncurrent.....	8,235,576	8,980,118
General obligation bonds payable - noncurrent.....	-	-
Total noncurrent liabilities.....	<u>9,262,205</u>	<u>10,099,410</u>
Total liabilities.....	<u>11,332,996</u>	<u>12,190,883</u>
Deferred inflows of resources.....	<u>80,321</u>	<u>10,214</u>
Net Position		
Net investment in capital assets.....	38,122,626	34,527,281
Unrestricted	8,413,024	8,639,442
Total net position.....	<u>46,535,650</u>	<u>43,166,723</u>
Total liabilities, deferred outflows of resources, and net position.....	<u>\$ 57,948,967</u>	<u>\$ 55,367,820</u>

City of Mebane, North Carolina
Schedule of Revenues and Expenditures - Budget to Actual
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement C-2

	2018		Variance	2017 Actual Restated
	Budget	Actual	Positive (Negative)	
Revenues				
Charges for services:				
Water sales.....	\$	\$ 2,848,670	\$	\$ 2,675,421
Sewer charges.....		2,632,477		2,540,697
Water and sewer taps.....		120,654		111,895
Total.....	<u>5,406,390</u>	<u>5,601,801</u>	<u>195,411</u>	<u>5,328,013</u>
Other operating revenues:				
Other operating revenues.....		1,008,375		1,124,645
Total.....	<u>679,050</u>	<u>1,008,375</u>	<u>329,325</u>	<u>1,124,645</u>
Other nonoperating revenues:				
Other.....		193,241		794,065
Interest and investment earnings.....		20,866		6,344
Total.....	<u>21,300</u>	<u>214,107</u>	<u>192,807</u>	<u>800,409</u>
Total revenues.....	<u>6,106,740</u>	<u>6,824,283</u>	<u>717,543</u>	<u>7,253,067</u>
Expenditures				
Administration:				
Salaries and employee benefits.....		666,415		488,429
Supplies.....		37,185		97,498
Other operating expenditures.....		155,651		190,500
Total.....	<u>1,183,825</u>	<u>859,251</u>	<u>324,574</u>	<u>776,427</u>
Distribution and maintenance:				
Salaries and employee benefits.....		742,145		654,091
Chemicals.....		83,454		69,963
Supplies.....		121,230		86,882
Maintenance.....		47,533		46,707
Purchases of water		925,632		822,521
Highway 119 project expenses.....		117,351		957,608
Other operating expenditures.....		297,927		245,131
Total.....	<u>2,885,928</u>	<u>2,335,272</u>	<u>550,656</u>	<u>2,882,903</u>
Waste collection and treatment:				
Wastewater treatment plant:				
Salaries and employee benefits.....		600,975		601,818
Chemicals.....		76,353		73,530
Supplies.....		35,504		32,751
Maintenance.....		343,705		111,158
Other operating expenditures.....		205,233		393,484
Total.....	<u>1,416,779</u>	<u>1,261,770</u>	<u>155,009</u>	<u>1,212,741</u>

City of Mebane, North Carolina
 Schedule of Revenues and Expenditures - Budget to Actual
 Water and Sewer Fund
 For the Fiscal Year Ended June 30, 2018
 (With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement C-2

	2018		Variance	2017 Actual Restated
	Budget	Actual	Positive (Negative)	
Expenditures (continued)				
Debt Service:				
Principal Retirement.....	\$ 894,278	\$ 832,542	\$ 61,736	\$ 650,542
Interest and other charges.....	163,177	133,177	30,000	151,033
Total.....	<u>1,057,455</u>	<u>965,719</u>	<u>91,736</u>	<u>801,575</u>
Capital outlay:				
Miscellaneous water.....	1,284,414	263,561	1,020,853	259,209
Miscellaneous sewer.....	73,986	138,356	(64,370)	55,755
Total.....	<u>1,358,400</u>	<u>401,917</u>	<u>956,483</u>	<u>314,964</u>
Total expenditures.....	<u>7,902,387</u>	<u>5,823,929</u>	<u>2,078,458</u>	<u>5,988,610</u>
Excess (deficiency) of revenues over expenditures.....	<u>(1,795,647)</u>	<u>1,000,354</u>	<u>2,796,001</u>	<u>1,264,457</u>
Other Financing Sources (Uses)				
Transfers in.....	37,566	37,566	-	-
Transfers out.....	(1,166,294)	(1,166,294)	-	(800,000)
Total other financing sources (uses).....	<u>(1,128,728)</u>	<u>(1,128,728)</u>	<u>-</u>	<u>(800,000)</u>
Fund balance appropriated.....	<u>2,924,375</u>	<u>-</u>	<u>(2,924,375)</u>	<u>-</u>
Revenues and other sources over expenditures and other uses.....	<u>\$ -</u>	<u>\$ (128,374)</u>	<u>\$ (128,374)</u>	<u>\$ 464,457</u>

City of Mebane, North Carolina
Schedule of Revenues and Expenditures - Budget to Actual
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Statement C-2

	<u>2018</u>		<u>Variance</u>	<u>2017 Actual</u> <u>Restated</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	
Reconciliation from budgetary basis				
(modified accrual) to full accrual:				
Revenues and other sources over				
expenditures and other uses.....		\$ (128,374)		\$ 464,457
Reconciling items:				
Principal retirement.....		832,542		650,542
Capital outlays.....		401,917		314,964
Loss on disposals.....		-		(9,274)
Increase (decrease) in receivable allowance.....		45,400		38,755
Increase (decrease) in unbilled receivables.....		20,733		501
(Increase) decrease in accrued interest payable.....		(32,248)		1,756
(Increase) decrease in accrued salaries and wages.....		-		3,696
(Increase) decrease in vacation pay.....		(8,304)		10,602
Increase (decrease) in deferred outflows of resources - pensions.....		(79,321)		235,177
(Increase) decrease in net pension liability.....		73,613		(222,639)
(Increase) decrease in deferred inflows of resources - pensions.....		3,959		18,981
Increase (decrease) in deferred outflows of resources - OPEB.....		7,630		-
(Increase) decrease in deferred inflows of resources - OPEB.....		(74,067)		-
(Increase) decrease in OPEB liability.....		13,615		(386,773)
Depreciation.....		(1,268,489)		(1,144,524)
Amortization of deferred loss on refunding.....		(1,964)		(2,676)
Capital contributions.....		2,508,340		465,220
Interest income from Water and Sewer Capital Project Funds.....		7,429		1,487
Capitalized interest on borrowings during construction				
Interest costs.....		-		60,515
Investment earnings on borrowed funds.....		-		(1,487)
Net Transfers to (from) Capital Project funds.....		<u>1,046,516</u>		<u>800,000</u>
Total reconciling items.....		<u>3,497,301</u>		<u>834,823</u>
Change in net position.....		<u>\$ 3,368,927</u>		<u>\$ 1,299,280</u>

City of Mebane, North Carolina
 Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
 Capital Project Fund - Utility
 From Inception and For the Year Ended June 30, 2018

Statement C-3

	<u>Actual</u>				<u>Variance</u>
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures					
Capital Outlay - other.....	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Professional services.....	58,000	-	-	-	58,000
Supplies and meters.....	50,000	-	46,174	46,174	3,826
Meters and registers.....	368,294	-	160,390	160,390	207,904
Professional services.....	25,000	-	25,240	25,240	(240)
Capital Outlay - other.....	416,000	-	336,726	336,726	79,274
Professional services.....	49,000	-	39,305	39,305	9,695
Total expenditures.....	<u>1,166,294</u>	<u>-</u>	<u>607,835</u>	<u>607,835</u>	<u>558,459</u>
Revenue over (under) expenditures.....	<u>(1,166,294)</u>	<u>-</u>	<u>(607,835)</u>	<u>(607,835)</u>	<u>558,459</u>
Other Financing Sources (Uses)					
Operating transfers in:					
From Water and Sewer Fund for					
utility capital improvements.....	1,166,294	800,000	1,166,294	1,966,294	800,000
Total other financing sources (uses).....	<u>1,166,294</u>	<u>800,000</u>	<u>1,166,294</u>	<u>1,966,294</u>	<u>800,000</u>
Revenues and other sources over (under)					
expenditures and other uses.....	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ 558,459</u>	<u>\$ 1,358,459</u>	<u>\$ 1,358,459</u>

City of Mebane, North Carolina
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
Capital Project Fund - Wastewater Treatment Plant Upgrade
From Inception and For the Year Ended June 30, 2018

Statement C-4

	<u>Authorization</u>	<u>Actual</u>			<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Professional services.....	\$ 184,658	\$ 184,658	\$ -	\$ 184,658	\$ -
Professional services- generator.....	77,661	74,461	3,200	77,661	-
Construction.....	1,505,479	1,505,479	-	1,505,479	-
Contingency.....	5,300,000	-	-	-	5,300,000
WWTP Lab- Professional Services.....	42,832	42,831	-	42,831	1
WWTP Lab- Construction.....	426,076	426,077	-	426,077	(1)
Total expenditures.....	<u>7,536,706</u>	<u>2,233,506</u>	<u>3,200</u>	<u>2,236,706</u>	<u>5,300,000</u>
Revenue over (under) expenditures.....	<u>(7,536,706)</u>	<u>(2,233,506)</u>	<u>(3,200)</u>	<u>(2,236,706)</u>	<u>5,300,000</u>
Other Financing Sources (Uses)					
Operating transfers in:					
From Water and Sewer Fund for					
WWTP capital improvements.....	2,177,000	2,177,000	-	2,177,000	-
From Southside Fire Station					
Capital Project Fund for					
WWTP capital improvements.....	80,000	80,000	-	80,000	-
Transfers to other funds:					
Water and Sewer Fund.....	(20,294)	-	(20,294)	(20,294)	-
Installment purchase obligations					
issued.....	5,300,000	-	-	-	(5,300,000)
Total other financing sources (uses).....	<u>7,536,706</u>	<u>2,257,000</u>	<u>(20,294)</u>	<u>2,236,706</u>	<u>(5,300,000)</u>
Revenues and other sources over (under)					
 expenditures and other uses.....	<u>\$ -</u>	<u>\$ 23,494</u>	<u>\$ (23,494)</u>	<u>\$ -</u>	<u>\$ -</u>

City of Mebane, North Carolina
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
Capital Project Fund - Water Treatment Plant Stage 2
From Inception and For the Year Ended June 30, 2018

Statement C-5

	<u>Actual</u>				<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Investment earnings.....	\$ 21,082	\$ 18,452	\$ 3,493	\$ 21,945	\$ (863)
Total revenues.....	<u>21,082</u>	<u>18,452</u>	<u>3,493</u>	<u>21,945</u>	<u>(863)</u>
Expenditures					
Professional services.....	480,889	480,888	-	480,888	1
Construction.....	1,929,881	1,929,879	-	1,929,879	2
Interest on borrowings.....	9,649	9,649	-	9,649	-
Farrar Land Pump Station.....	315,175	-	315,175	315,175	-
Contingency.....	-	-	-	-	-
Total expenditures.....	<u>2,735,594</u>	<u>2,420,416</u>	<u>315,175</u>	<u>2,735,591</u>	<u>3</u>
Revenue over (under) expenditures.....	<u>(2,714,512)</u>	<u>(2,401,964)</u>	<u>(311,682)</u>	<u>(2,713,646)</u>	<u>866</u>
Other Financing Sources (Uses)					
Operating transfers in:					
From Water and Sewer Fund for					
WWTP capital improvements.....	157,043	157,043	-	157,043	-
Transfers to other funds:					
Water and Sewer Fund.....	(15,269)	-	(15,269)	(15,269)	-
Refunding costs.....	(965,562)	(965,561)	-	(965,561)	1
Installment purchase obligations					
issued.....	3,538,300	3,538,300	-	3,538,300	-
Total other financing sources (uses).....	<u>2,714,512</u>	<u>2,729,782</u>	<u>(15,269)</u>	<u>2,714,513</u>	<u>1</u>
Revenues and other sources over (under) expenditures and other uses.....	<u>\$ -</u>	<u>\$ 327,818</u>	<u>\$ (326,951)</u>	<u>\$ 867</u>	<u>\$ 867</u>

City of Mebane, North Carolina
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
Capital Project Fund - Water Line Extensions
From Inception and For the Year Ended June 30, 2018 **Statement C-6**

	<u>Actual</u>			<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings.....	\$ 14,811	\$ 14,118	\$ 922	\$ 15,040	\$ (229)
Total revenues.....	<u>14,811</u>	<u>14,118</u>	<u>922</u>	<u>15,040</u>	<u>(229)</u>
Expenditures					
Professional services.....	287,030	300,752	-	300,752	(13,722)
Easements.....	88,275	88,274	-	88,274	1
Utility construction.....	1,647,373	1,647,373	-	1,647,373	-
Force Main Project.....	103,833	-	90,339	90,339	13,494
Total expenditures.....	<u>2,126,511</u>	<u>2,036,399</u>	<u>90,339</u>	<u>2,126,738</u>	<u>(227)</u>
Revenue over (under) expenditures.....	<u>(2,111,700)</u>	<u>(2,022,281)</u>	<u>(89,417)</u>	<u>(2,111,698)</u>	<u>2</u>
Other Financing Sources (Uses)					
Installment purchase obligations issued.....	2,111,700	2,111,700	-	2,111,700	-
Total other financing sources (uses).....	<u>2,111,700</u>	<u>2,111,700</u>	<u>-</u>	<u>2,111,700</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses.....	<u>\$ -</u>	<u>\$ 89,419</u>	<u>\$ (89,417)</u>	<u>\$ 2</u>	<u>\$ 2</u>

Additional Financial Data

This section contains additional information on property taxes and interfund transfers.

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Tax Levy**
- **Schedule of Ten Largest Taxpayers**



City of Mebane, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

Schedule D-1

<u>Fiscal Year</u>	<u>Uncollected</u> <u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Collections</u> <u>and Credits</u>	<u>Uncollected</u> <u>Balance</u> <u>6/30/2018</u>
2017-2018.....	\$ -	\$ 9,815,332	\$ 9,785,748	\$ 29,584
2016-2017.....	43,882	-	36,289	7,593
2015-2016.....	11,872	-	4,304	7,568
2014-2015.....	8,149	-	2,550	5,599
2013-2014.....	9,350	-	1,952	7,398
2012-2013.....	8,914	-	1,158	7,756
2011-2012.....	7,400	-	980	6,420
2010-2011.....	8,367	-	793	7,574
2009-2010.....	7,133	-	857	6,276
2008-2009.....	8,350	-	1,267	7,083
2007-2008.....	8,410	-	8,410	-
	<u>\$ 121,827</u>	<u>\$ 9,815,332</u>	<u>\$ 9,844,308</u>	<u>92,851</u>
Less: Allowance for uncollectible accounts (General Fund).....				<u>11,164</u>
Ad valorem taxes receivable - net.....				<u>\$ 81,687</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund.....				\$ 9,851,605
Add (subtract):				
Penalties and interest, net of discounts.....				(3,930)
Amount written off for tax year 2007-2008.....				8,410
Refunds and other adjustments.....				<u>(11,777)</u>
Total collections and credits.....				<u>\$ 9,844,308</u>

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

Schedule D-2

	<u>City - Wide</u>			<u>Total Levy</u>	
	<u>Total Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Amount of</u> <u>Levy</u>	<u>Property</u> <u>Excluding</u> <u>Registered</u> <u>Motor</u> <u>Vehicles</u>	<u>Registered</u> <u>Motor</u> <u>Vehicles</u>
Tax levy:					
Real property	\$ 1,519,215,965	0.47	\$ 7,140,315	\$ 7,140,315	\$ -
Personal property	576,423,148	0.47	2,709,189	2,060,559	648,630
Public service companies.....	<u>21,265,042</u>	0.47	<u>99,946</u>	<u>99,946</u>	<u>-</u>
Subtotals.....	<u>2,116,904,155</u>		<u>9,949,450</u>	<u>9,300,820</u>	<u>648,630</u>
Less: Homestead exemptions.....	<u>(6,231,130)</u>	0.47	<u>(29,286)</u>	<u>(29,286)</u>	<u>-</u>
Totals.....	<u>\$ 2,110,673,025</u>		9,920,164	9,271,534	648,630
Advertising, interest cost and late filing fees.....			<u>6,359</u>	<u>6,359</u>	<u>-</u>
Gross levy.....			<u>9,926,523</u>	<u>9,277,893</u>	<u>648,630</u>
Release and adjustments.....			<u>(111,191)</u>	<u>(111,191)</u>	<u>-</u>
Net levy.....			<u>9,815,332</u>	<u>9,166,702</u>	<u>648,630</u>
Uncollected taxes at June 30, 2018.....			<u>29,584</u>	<u>29,584</u>	<u>-</u>
Current year taxes collected.....			<u>\$ 9,785,748</u>	<u>\$ 9,137,118</u>	<u>\$ 648,630</u>
Current levy collection percentage.....			<u>99.70%</u>	<u>99.68%</u>	<u>100.00%</u>

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

Schedule D-3

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio (Note 1).....		100%
	<u>Current Year Rate</u>	<u>Prior Year Rate</u>
Real Property.....	\$ 1,519,215,965	\$ -
Personal Property.....	571,603,999	4,819,149
Public service companies (Note 2).....	21,265,042	-
Total Assessed Valuation.....	<u>2,112,085,006</u>	<u>4,819,149</u>
Tax Rate per \$100.....	<u>0.47</u>	<u>0.47</u>
	9,926,800	22,650
Levy.....		<u>\$ 9,949,450</u>

Note 1: Percentage of appraised value has been established by statute.

Note 2: Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

**City of Mebane, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2018**

Schedule D-4

<u>Name</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
GKN Automotive				
Components.....	Auto Components Manufacturing.....	\$ 104,366,138	\$ 511,394	4.94%
Wal-Mart.....	Retail.....	75,885,653	\$ 371,840	3.60%
Liggett Group - One Hundred				
Maple, LLC.....	Tobacco Manufacturing.....	74,641,045	\$ 365,741	3.54%
Nypro, Inc. (a Jabil Company).....	Plastics Manufacturing.....	46,747,189	\$ 229,061	2.21%
Tanger Piedmont, LLC.....	Retail.....	43,879,241	\$ 215,008	2.08%
Morinaga America Foods, Inc.....	Japanese confectionery.....	35,843,403	\$ 175,633	1.70%
Sandvik, Inc.....	Metal Cutting.....	35,135,527	\$ 172,164	1.66%
Gregory Poole Equipment				
Company.....	Equipment Sales and Leasing.....	28,322,036	\$ 138,778	1.34%
Cambro Manufacturing Co.....	Restaurant Supplier.....	25,649,645	\$ 125,683	1.22%
Armacell LLC.....	Foam technologies.....	24,941,923	\$ 122,215	1.18%
		<u>\$ 495,411,800</u>	<u>\$ 2,427,518</u>	<u>23.47%</u>

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Statistical Section

This part of the City of Mebane's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

- **Financial Trends** - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
- **Revenue Capacity** - These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.
- **Debt Capacity** - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.
- **Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.
- **Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

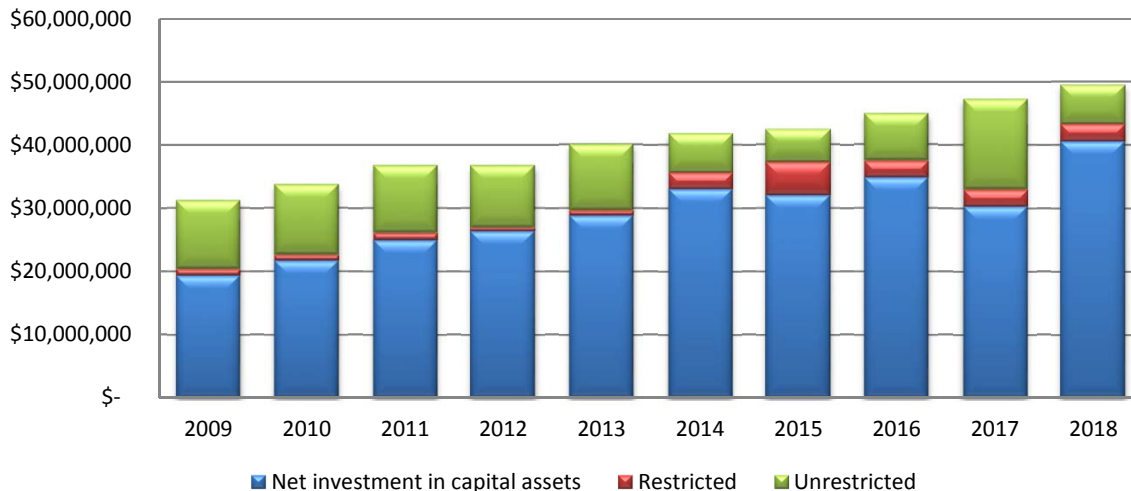
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

City of Mebane, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 1
Page 1 of 2

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets.....	\$ 19,329,954	\$ 21,705,437	\$ 24,920,842	\$ 26,347,904	\$ 28,863,807
Restricted.....	1,000,710	845,711	1,110,038	497,614	755,213
Unrestricted.....	10,824,598	11,125,637	10,682,320	9,863,083	10,432,825
Total governmental activities net position.....	<u>\$ 31,155,262</u>	<u>\$ 33,676,785</u>	<u>\$ 36,713,200</u>	<u>\$ 36,708,601</u>	<u>\$ 40,051,845</u>
Business-type activities					
Net investment in capital assets.....	\$ 23,967,839	\$ 24,612,653	\$ 25,132,355	\$ 25,760,951	\$ 29,700,671
Restricted.....	-	-	-	-	-
Unrestricted.....	8,384,291	9,163,444	9,154,905	10,903,051	8,348,062
Total business-type activities net position.....	<u>\$ 32,352,130</u>	<u>\$ 33,776,097</u>	<u>\$ 34,287,260</u>	<u>\$ 36,664,002</u>	<u>\$ 38,048,733</u>
Primary government					
Net investment in capital assets.....	\$ 43,297,793	\$ 46,318,090	\$ 50,053,197	\$ 52,108,855	\$ 58,564,478
Restricted.....	1,000,710	845,711	1,110,038	497,614	755,213
Unrestricted.....	19,208,889	20,289,081	19,837,225	20,766,134	18,780,887
Total primary government activities net position.....	<u>\$ 63,507,392</u>	<u>\$ 67,452,882</u>	<u>\$ 71,000,460</u>	<u>\$ 73,372,603</u>	<u>\$ 78,100,578</u>

Governmental Activities - Net Assets by Component



City of Mebane, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

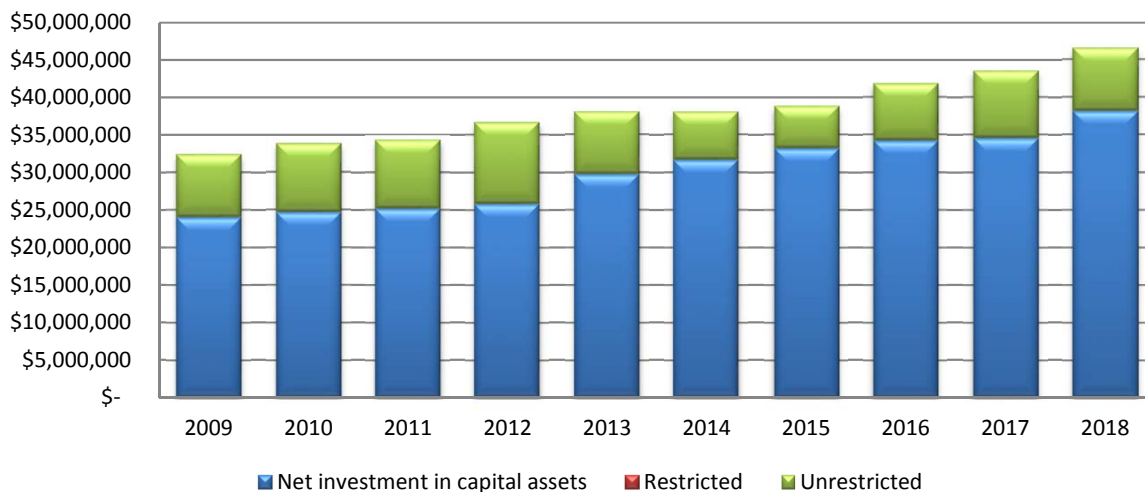
Table 1
Page 2 of 2

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets.....	\$ 33,039,857	\$ 32,011,821	\$ 34,801,671	\$ 30,319,096	\$ 40,610,954
Restricted.....	2,594,241	5,225,747	2,589,616	2,615,433	2,757,579
Unrestricted.....	6,195,064	5,185,319	7,502,406	14,338,635	6,147,464
Total governmental activities net position.....	<u>\$ 41,829,162</u>	<u>\$ 42,422,887</u>	<u>\$ 44,893,693</u>	<u>\$ 47,273,164</u>	<u>\$ 49,515,997</u>
Business-type activities					
Net investment in capital assets.....	\$ 31,622,606	\$ 33,155,614	\$ 34,178,396	\$ 34,527,281	\$ 38,122,626
Restricted.....	-	-	-	-	-
Unrestricted.....	6,415,219	5,635,431	7,589,047	8,948,578	8,413,024
Total business-type activities net position.....	<u>\$ 38,037,825</u>	<u>\$ 38,791,045</u>	<u>\$ 41,767,443</u>	<u>\$ 43,475,859</u>	<u>\$ 46,535,650</u>
Primary government					
Net investment in capital assets.....	\$ 64,662,463	\$ 65,167,435	\$ 68,980,067	\$ 64,846,377	\$ 78,733,580
Restricted.....	2,594,241	5,225,747	2,589,616	2,615,433	2,757,579
Unrestricted.....	12,610,283	10,820,750	15,091,453	23,287,213	14,560,488
Total primary government activities net position.....	<u>\$ 79,866,987</u>	<u>\$ 81,213,932</u>	<u>\$ 86,661,136</u>	<u>\$ 90,749,023</u>	<u>\$ 96,051,647</u>

Notes:

- (1) Fiscal years presented prior to 2011 have been restated to reflect the changes required by GASB Statement No. 54.
- (2) 2018 includes a prior period restatement of \$2,337,035; 2017 includes a prior period restatement of \$15,099; 2016 includes a prior period restatement of \$545,860; 2015 includes a prior period restatement of \$(531,756); 2011 includes a prior period restatement of \$230,000; 2010 includes a prior period restatement of \$(279,161); 2009 includes prior period restatements of \$323,564 and \$(283,174).

Business-type Activities - Net Assets by Component



City of Mebane, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(Page 1 of 2)

	Fiscal Year Ending June 30				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government.....	\$ 1,468,861	\$ 1,663,985	\$ 1,753,985	\$ 1,854,901	\$ 2,143,420
Public safety.....	3,447,735	4,207,196	3,863,952	4,107,505	4,571,950
Public works.....	1,717,557	1,850,162	2,800,765	2,802,874	2,879,581
Cultural and recreation.....	952,090	1,015,382	1,091,761	1,167,086	1,224,727
Economic and physical development.....	171,038	345,051	202,085	402,748	207,551
Interest on long-term debt.....	227,537	201,996	176,371	150,948	132,923
Total governmental activities expenses.....	7,984,818	9,283,772	9,888,919	10,486,062	11,160,152
Business-type activities:					
Water and sewer.....	3,545,224	3,607,648	3,923,837	3,913,101	3,901,404
Total Business-type activities.....	3,545,224	3,607,648	3,923,837	3,913,101	3,901,404
Total primary government expenses.....	11,530,042	12,891,420	13,812,756	14,399,163	15,061,556
Program revenues					
Governmental activities:					
Charges for services:					
General government.....	55,801	57,150	54,800	58,255	58,381
Public safety.....	118,440	181,616	209,242	104,563	130,897
Public works.....	313,800	331,857	318,183	318,717	316,398
Cultural and recreation.....	81,742	83,836	79,972	75,649	74,518
Economic and physical development.....	-	-	-	-	-
Operating grants and contributions.....	435,425	303,803	321,016	338,677	397,732
Capital grants and contributions.....	19,443	1,282,843	1,698,372	858,449	2,013,681
Total governmental activities program revenue.....	1,024,651	2,241,105	2,681,585	1,754,310	2,991,607
Business-type activities:					
Charges for services.....	3,717,104	3,510,744	3,942,483	4,322,571	4,732,814
Capital grants and contributions.....	368,356	510,712	471,250	284,300	1,051,250
Total business-type activities program revenue.....	4,085,460	4,021,456	4,413,733	4,606,871	5,784,064
Total primary government program revenue.....	5,110,111	6,262,561	7,095,318	6,361,181	8,775,671
Net (Expense)/Revenue					
Governmental activities.....	(6,960,167)	(7,042,667)	(7,207,334)	(8,731,752)	(8,168,545)
Business-type activities.....	540,236	413,808	489,896	693,770	1,882,660
Total primary government net expense.....	(6,419,931)	(6,628,859)	(6,717,438)	(8,037,982)	(6,285,885)
General revenues and other changes in net position					
Governmental activities:					
Taxes.....					
Property taxes, levied for general purpose.....	6,181,452	6,726,223	6,805,448	7,376,275	7,640,328
Other taxes.....	1,906,140	2,378,979	2,617,082	2,973,118	3,297,348
Grants and contributions not restricted to specific programs.....	866,810	370,000	4,770	3,045	4,000
Unrestricted investment earnings.....	165,200	47,149	22,532	14,422	11,943
Miscellaneous.....	34,615	41,839	793,917	10,293	40,670
<i>Special item: Conveyance of land for economic development.....</i>	-	-	-	-	-
Transfers.....	5,188	-	-	(1,650,000)	517,500
Total governmental activities.....	9,159,405	9,564,190	10,243,749	8,727,153	11,511,789
Business-type activities:					
Unrestricted investment earnings.....	106,519	27,306	14,608	31,212	9,706
Miscellaneous.....	263,381	982,853	6,659	1,760	9,865
Transfers.....	(5,188)	-	-	1,650,000	(517,500)
Total business-type activities.....	364,712	1,010,159	21,267	1,682,972	(497,929)
Total primary government.....	9,524,117	10,574,349	10,265,016	10,410,125	11,013,860
Change in Net Position					
Governmental activities.....	2,199,238	2,521,523	3,036,415	(4,599)	3,343,244
Business-type activities.....	904,948	1,423,967	511,163	2,376,742	1,384,731
Change in primary government net position.....	\$ 3,104,186	\$ 3,945,490	\$ 3,547,578	\$ 2,372,143	\$ 4,727,975

City of Mebane, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(Page 2 of 2)

	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government.....	\$ 2,133,862	\$ 2,130,084	\$ 2,058,889	\$ 2,023,497	\$ 2,227,259
Public safety.....	4,400,496	4,929,504	5,521,196	6,132,593	6,567,770
Public works.....	3,887,001	3,848,791	4,169,363	3,907,270	3,885,804
Cultural and recreation.....	1,179,235	1,163,723	1,288,321	1,195,553	1,301,845
Economic and physical development.....	1,137,040	584,532	1,415,831	461,389	1,879,946
Interest on long-term debt.....	151,011	178,086	156,676	174,166	300,632
Total governmental activities expenses.....	12,888,645	12,834,720	14,610,276	13,894,468	16,163,256
Business-type activities:					
Water and sewer.....	4,493,195	4,288,957	4,926,465	6,139,854	6,039,261
Total Business-type activities.....	4,493,195	4,288,957	4,926,465	6,139,854	6,039,261
Total primary government expenses.....	17,381,840	17,123,677	19,536,741	20,034,322	22,202,517
Program revenues					
Governmental activities:					
Charges for services:					
General government.....	60,900	45,470	213,347	58,291	60,580
Public safety.....	12,986	13,964	13,905	21,135	19,941
Public works.....	355,012	338,920	420,613	401,609	422,237
Cultural and recreation.....	75,170	77,245	85,535	86,690	87,018
Economic and physical development.....	222,071	287,110	374,248	427,814	391,359
Operating grants and contributions.....	667,594	498,060	448,823	574,891	934,764
Capital grants and contributions.....	912,272	2,157,849	972,045	639,266	3,380,460
Total governmental activities program revenue.....	2,306,005	3,418,618	2,528,516	2,209,696	5,296,359
Business-type activities:					
Charges for services.....	5,041,627	5,316,218	7,399,492	6,491,915	6,676,309
Capital grants and contributions.....	203,400	196,230	1,376,780	465,220	2,508,340
Total business-type activities program revenue.....	5,245,027	5,512,448	8,776,272	6,957,135	9,184,649
Total primary government program revenue.....	7,551,032	8,931,066	11,304,788	9,166,831	14,481,008
Net (Expense)/Revenue					
Governmental activities.....	(10,582,640)	(9,416,102)	(12,081,760)	(11,684,772)	(10,866,897)
Business-type activities.....	751,832	1,223,491	3,849,807	817,281	3,145,388
Total primary government net expense.....	(9,830,808)	(8,192,611)	(8,231,953)	(10,867,491)	(7,721,509)
General revenues and other changes in net position					
Governmental activities:					
Taxes.....					
Property taxes, levied for general purpose.....	8,054,225	8,572,861	8,859,077	9,751,487	10,279,056
Other taxes.....	3,519,938	4,105,041	4,188,891	4,299,798	4,563,646
Grants and contributions not restricted					
to specific programs.....	7,000	4,500	12,509	3,050	3,050
Unrestricted investment earnings.....	2,096	4,083	6,399	25,200	129,302
Miscellaneous.....	(7,678)	60,600	41,404	69,609	164,578
<i>Special item: Conveyance of land for economic development.....</i>	<i>-</i>	<i>(2,691,591)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Transfers.....	784,376	393,092	965,000	-	(2,003)
Total governmental activities.....	12,359,957	10,448,586	14,073,280	14,149,144	15,137,629
Business-type activities:					
Unrestricted investment earnings.....	5,801	259	2,244	6,344	28,295
Miscellaneous.....	15,835	15,559	22,773	784,791	193,241
Transfers.....	(784,376)	(393,092)	(965,000)	-	2,003
Total business-type activities.....	(762,740)	(377,274)	(939,983)	791,135	223,539
Total primary government.....	11,597,217	10,071,312	13,133,297	14,940,279	15,361,168
Change in Net Position					
Governmental activities.....	1,777,317	1,032,484	1,991,520	2,464,372	4,270,732
Business-type activities.....	(10,908)	846,217	2,909,824	1,608,416	3,368,927
Change in primary government net position.....	\$ 1,766,409	\$ 1,878,701	\$ 4,901,344	\$ 4,072,788	\$ 7,639,659

Notes:

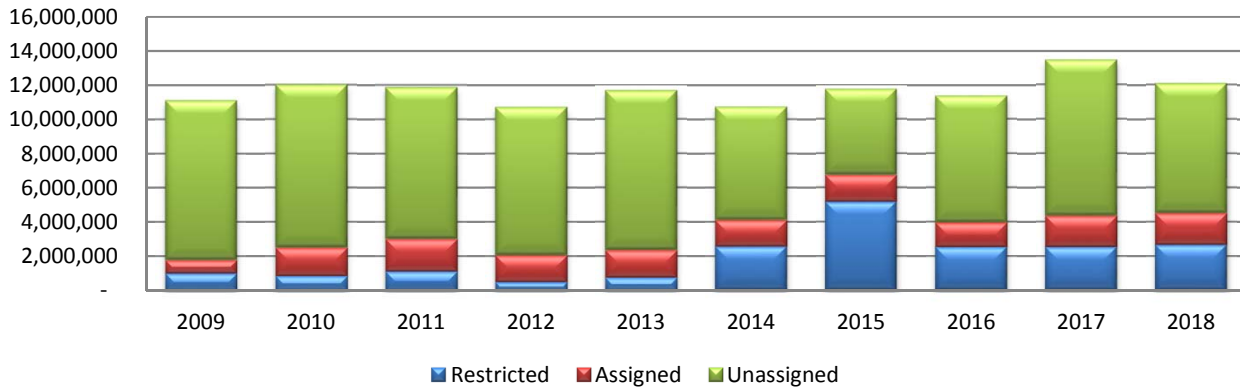
(1) 2018 included a prior period restatement of \$2,337,035; 2017 includes a prior period statement of \$15,099; 2016 includes a prior period restatement of \$545,860; 2015 includes a prior period restatement of \$(531,756); 2011 includes a prior period restatement of \$230,000; 2010 includes a prior period restatement of \$4,013; 2009 includes prior period restatements of \$323,564 and \$(2,899); 2008 includes a prior period restatement of \$(280,275)

City of Mebane, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 3
Page 1 of 2

	Fiscal Year Ending June 30				
	2009	2010	2011	2012	2013
General Fund					
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	1,000,710	845,711	1,110,040	497,614	755,213
Committed.....	-	-	-	-	-
Assigned.....	777,851	1,661,531	1,888,098	1,556,073	1,586,386
Unassigned.....	9,306,177	9,497,290	8,865,523	8,636,871	9,309,149
Total general fund.....	<u>\$ 11,084,738</u>	<u>\$ 12,004,532</u>	<u>\$ 11,863,661</u>	<u>\$ 10,690,558</u>	<u>\$ 11,650,748</u>
All Other Governmental Funds					
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	-	-	-	-	-
Committed.....	-	-	-	-	-
Assigned.....	851,001	(38,414)	(350)	(4,500)	316,850
Unassigned.....	-	-	-	-	-
Total all other governmental funds.....	<u>\$ 851,001</u>	<u>\$ (38,414)</u>	<u>\$ (350)</u>	<u>\$ (4,500)</u>	<u>\$ 316,850</u>
Total Governmental Funds					
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	1,000,710	845,711	1,110,040	497,614	755,213
Committed.....	-	-	-	-	-
Assigned.....	1,628,852	1,623,117	1,887,748	1,551,573	1,903,236
Unassigned.....	9,306,177	9,497,290	8,865,523	8,636,871	9,309,149
Total governmental funds.....	<u>\$ 11,935,739</u>	<u>\$ 11,966,118</u>	<u>\$ 11,863,311</u>	<u>\$ 10,686,058</u>	<u>\$ 11,967,598</u>

Fund Balances - General Fund



City of Mebane, North Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

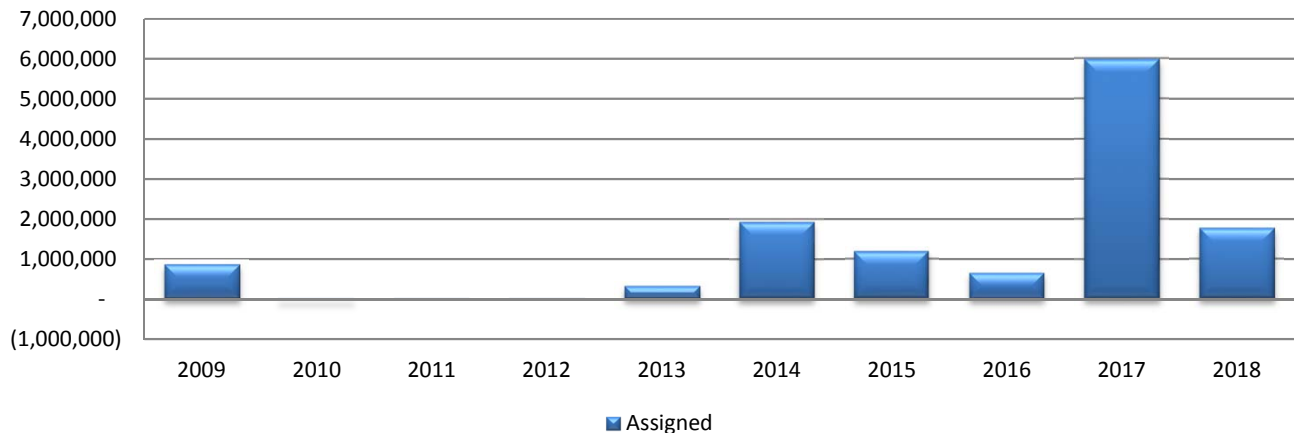
Table 3
Page 2 of 2

	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable.....	\$ 20,511	\$ 27,361	\$ 116,295	\$ 51,005	\$ 131,945
Restricted.....	2,566,389	5,183,933	2,533,840	2,545,731	2,673,951
Committed.....	-	-	-	-	-
Assigned.....	1,543,138	1,549,082	1,419,254	1,803,854	1,828,000
Unassigned.....	6,612,572	4,991,002	7,377,790	9,083,988	7,563,514
Total general fund.....	<u>\$ 10,742,610</u>	<u>\$ 11,751,378</u>	<u>\$ 11,447,179</u>	<u>\$ 13,484,578</u>	<u>\$ 12,197,410</u>
All Other Governmental Funds					
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	27,852	41,814	55,776	69,702	83,628
Committed.....	-	-	-	-	-
Assigned.....	1,925,422	1,181,066	640,198	5,986,376	1,757,022
Unassigned.....	-	-	-	-	-
Total all other governmental funds.....	<u>\$ 1,953,274</u>	<u>\$ 1,222,880</u>	<u>\$ 695,974</u>	<u>\$ 6,056,078</u>	<u>\$ 1,840,650</u>
Total Governmental Funds					
Nonspendable.....	\$ 20,511	\$ 27,361	\$ 116,295	\$ 51,005	\$ 131,945
Restricted.....	2,594,241	5,225,747	2,589,616	2,615,433	2,757,579
Committed.....	-	-	-	-	-
Assigned.....	3,468,560	2,730,148	2,059,452	7,790,230	3,585,022
Unassigned.....	6,612,572	4,991,002	7,377,790	9,083,988	7,563,514
Total governmental funds.....	<u>\$ 12,695,884</u>	<u>\$ 12,974,258</u>	<u>\$ 12,143,153</u>	<u>\$ 19,540,656</u>	<u>\$ 14,038,060</u>

Notes:

(1) Fiscal years presented prior to 2011 have been restated to reflect the changes required by GASB Statement No. 54.

Fund Balances - All Other Governmental Funds



City of Mebane, North Carolina
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 4
Page 1 of 2

	Fiscal Year Ending June 30				
	2009	2010	2011	2012	2013
Revenues					
Ad valorem taxes.....	\$ 6,051,214	\$ 6,349,231	\$ 6,527,203	\$ 6,963,505	\$ 7,322,698
Other taxes and licenses.....	1,608,851	14,040	19,855	19,253	189,355
Unrestricted intergovernmental.....	835,870	2,396,729	3,184,785	3,183,950	3,136,030
Restricted intergovernmental.....	706,142	805,095	641,518	686,429	695,117
Permits and fees.....	159,173	236,153	239,333	115,955	136,214
Sales and services.....	345,139	356,106	364,014	378,424	382,049
Investment earnings.....	188,700	47,149	22,532	14,422	11,943
Miscellaneous.....	169,980	98,903	107,047	86,011	112,033
Total revenues.....	10,065,069	10,303,406	11,106,287	11,447,949	11,985,439
Expenditures					
General government.....	1,391,877	1,542,016	1,600,612	1,676,324	1,950,508
Public safety.....	3,287,593	3,832,452	4,298,873	3,872,971	4,157,723
Public works.....	2,077,510	2,085,645	3,125,067	3,102,904	2,818,822
Cultural and recreation.....	1,181,615	321,052	1,074,413	1,152,466	1,110,864
Economic and physical development.....	171,179	735,745	178,908	204,146	505,146
Debt service:					
Principal.....	789,142	697,638	707,641	613,255	426,667
Interest and other charges.....	234,778	207,030	181,520	155,859	135,000
Capital outlay.....	2,587,725	851,449	42,060	197,277	116,669
Total expenditures.....	11,721,419	10,273,027	11,209,094	10,975,202	11,221,399
Excess (deficiency) of revenues over (under) expenditures.....	(1,656,350)	30,379	(102,807)	472,747	764,040
Other Financing Sources (Uses)					
Transfers to other funds.....	-	(191,531)	(64,144)	(1,650,000)	(245,000)
Transfers from other funds.....	-	191,531	64,144	-	762,500
Issuance of debt.....	-	-	-	-	-
Total other financing sources (uses).....	-	-	-	(1,650,000)	517,500
Net change in fund balances.....	(1,656,350)	30,379	(102,807)	(1,177,253)	1,281,540
Fund balances, beginning.....	13,592,089	11,935,739	11,966,118	11,863,311	10,686,058
Prior period adjustment.....	-	-	-	-	-
Fund balances, beginning as restated.....	13,592,089	11,935,739	11,966,118	11,863,311	10,686,058
Fund balances, ending.....	\$ 11,935,739	\$ 11,966,118	\$ 11,863,311	\$ 10,686,058	\$ 11,967,598
Debt service as a percentage of noncapital expenditures.....	12.7%	10.0%	9.3%	7.7%	5.5%

City of Mebane, North Carolina
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 4
Page 2 of 2

	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
Revenues					
Ad valorem taxes.....	\$ 7,705,045	\$ 8,207,631	\$ 8,436,102	\$ 9,349,863	\$ 9,851,605
Other taxes and licenses.....	199,935	190,058	795	960	1,005
Unrestricted intergovernmental.....	3,323,889	5,033,302	4,191,306	4,427,170	4,866,039
Restricted intergovernmental.....	1,497,810	893,277	880,010	904,619	1,265,968
Permits and fees.....	244,104	320,358	606,212	482,809	411,580
Sales and services.....	416,084	392,832	433,014	444,814	462,033
Investment earnings.....	17,190	1,746	6,363	25,200	129,302
Miscellaneous.....	94,753	260,119	155,294	270,538	322,138
Total revenues.....	13,498,810	15,299,323	14,709,096	15,905,973	17,309,670
Expenditures					
General government.....	2,087,742	2,094,055	2,151,509	1,997,039	2,244,898
Public safety.....	5,091,637	4,901,955	5,414,023	6,171,044	6,526,581
Public works.....	3,708,213	3,708,075	3,733,538	3,268,769	3,400,679
Cultural and recreation.....	1,195,637	1,318,029	1,466,564	1,056,609	1,828,941
Economic and physical development.....	3,832,902	703,466	1,466,432	703,062	1,878,174
Debt service:					
Principal.....	426,667	833,854	835,083	836,338	1,316,286
Interest and other charges.....	119,484	182,646	161,067	139,372	306,592
Capital outlay.....	1,437,893	2,138,037	1,276,985	634,567	5,739,986
Total expenditures.....	17,900,175	15,880,117	16,505,201	14,806,800	23,242,137
Excess (deficiency) of revenues over (under) expenditures.....	(4,401,365)	(580,794)	(1,796,105)	1,099,173	(5,932,467)
Other Financing Sources (Uses)					
Transfers to other funds.....	(245,000)	(1,450,000)	(856,734)	(60,000)	(1,726,812)
Transfers from other funds.....	1,029,376	1,843,092	1,821,734	60,000	1,724,810
Issuance of debt.....	4,345,275	-	-	6,298,330	431,873
Total other financing sources (uses).....	5,129,651	393,092	965,000	6,298,330	429,871
Net change in fund balances.....	728,286	(187,702)	(831,105)	7,397,503	(5,502,596)
Fund balances, beginning.....	11,967,598	12,695,884	12,974,258	12,143,153	19,540,656
Prior period adjustment.....	-	466,076	-	-	-
Fund balances, beginning as restated.....	11,967,598	13,161,960	12,974,258	12,143,153	19,540,656
Fund balances, ending.....	\$ 12,695,884	\$ 12,974,258	\$ 12,143,153	\$ 19,540,656	\$ 14,038,060
Debt service as a percentage of noncapital expenditures.....	4.6%	8.2%	7.0%	7.4%	10.3%

Notes:

(1) 2015 includes a prior period restatement of \$466,076.

City of Mebane, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 5

<u>Fiscal</u> <u>Year</u>	<u>Real Property</u>	<u>Personal</u> <u>Property</u>	<u>Public Service</u> <u>Companies</u>	<u>Less Tax-</u> <u>Exempt</u> <u>Property</u>	<u>Total Taxable</u> <u>Assessed Value</u>	<u>Total</u> <u>Direct</u> <u>Tax</u> <u>Rate</u>	<u>Estimated Actual</u> <u>Taxable Value</u>	<u>Ratio of</u> <u>Assessed</u> <u>Value to</u> <u>Estimated</u> <u>Actual</u> <u>Value</u>
2009	851,771,930	379,017,958	21,525,590	(4,532,143)	1,247,783,335	0.47	1,251,537,949	99.7%
2010	995,258,975	369,782,703	22,357,578	(6,990,713)	1,380,408,543	0.47	1,377,653,237	100.2%
2011	1,027,885,319	358,562,377	20,777,547	(8,037,388)	1,399,187,855	0.47	1,396,931,471	100.2%
2012	1,101,391,678	400,790,237	20,894,610	(8,275,108)	1,514,801,417	0.47	1,481,995,824	102.2%
2013	1,138,480,584	417,965,044	22,126,189	(8,199,338)	1,570,372,479	0.47	1,489,959,352	105.4%
2014	1,163,814,338	476,296,137	22,343,241	(8,380,262)	1,654,073,454	0.47	1,574,895,032	105.0%
2015	1,171,969,829	498,060,858	22,232,490	(8,580,903)	1,683,682,274	0.49	1,603,949,005	105.0%
2016	1,215,674,661	511,076,370	23,926,263	(9,087,410)	1,741,589,884	0.49	1,648,732,865	105.6%
2017	1,355,230,856	550,037,154	20,701,422	(6,871,152)	1,919,098,280	0.49	1,919,559,215	100.0%
2018	1,519,215,965	576,423,148	21,265,042	(6,231,130)	2,110,673,025	0.47	2,165,774,122	97.5%

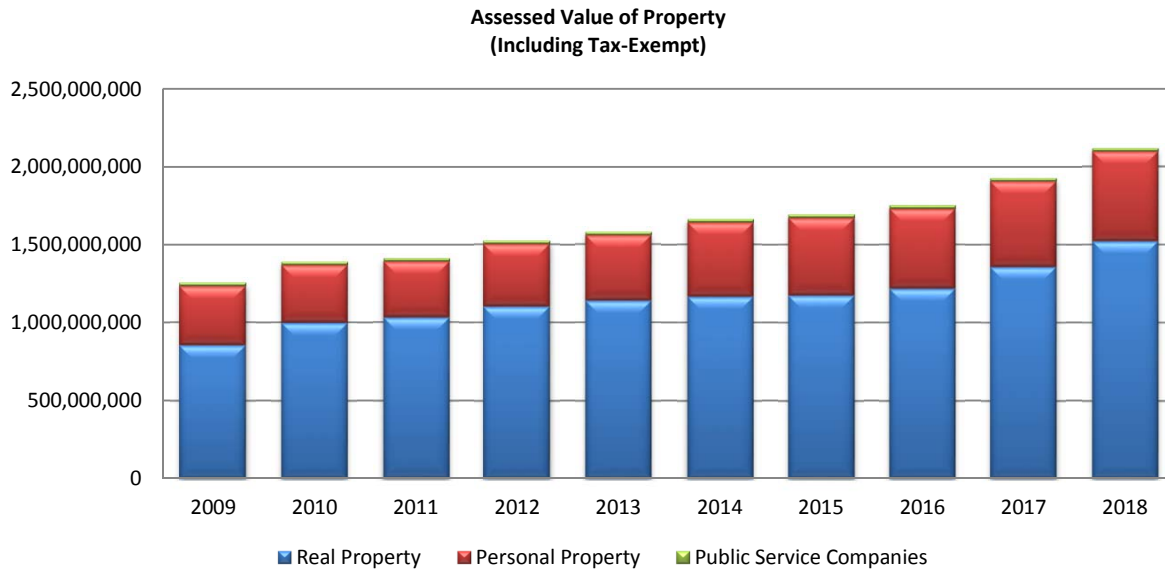
Sources:

Alamance County and Orange County Tax Departments.

Notes:

Assessed valuations are established by the Alamance County Board of Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. Property was last revalued in FY 2018.

Estimated actual taxable value is calculated using information provided in Alamance and Orange County's Comprehensive Annual Financial Reports (CAFRs).



City of Mebane, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Years
(Rates are Per \$100 of Assessed Value)

Table 6

<u>Fiscal Year</u>	<u>Direct Rate</u>	<u>Overlapping Rates</u>		<u>Combined Tax Rate</u>	
	<u>City of Mebane</u>	<u>Alamance County</u> ⁽¹⁾	<u>Orange County</u> ⁽²⁾	<u>Alamance County</u>	<u>Orange County</u>
2009.....	0.50	0.580	0.998	1.080	1.498
2010.....	0.47	0.520	0.858	0.990	1.328
2011.....	0.47	0.520	0.858	0.990	1.328
2012.....	0.47	0.520	0.858	0.990	1.328
2013.....	0.47	0.520	0.858	0.990	1.328
2014.....	0.47	0.540	0.858	1.010	1.328
2015.....	0.49	0.530	0.858	1.020	1.348
2016.....	0.49	0.580	0.878	1.070	1.368
2017.....	0.49	0.580	0.878	1.070	1.368
2018.....	0.47	0.580	0.838	1.050	1.308

Sources:

⁽¹⁾ Alamance County Tax Department.

⁽²⁾ Orange County Tax Department.

Notes:

Overlapping rates are the county government rates that apply to property owners within the City of Mebane. The City of Mebane is located in both Alamance and Orange counties. Not all overlapping rates apply to all property owners, but at least one County overlapping rates applies to each property owner.

**City of Mebane, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago**

Table 7

	2018			2009		
	<u>Taxable Assessed Value</u> (1)	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
GKN Automotive Components.....	\$ 104,366,138	1	4.94%	\$ 104,875,597	1	8.40%
Wal-Mart.....	75,885,653	2	3.60%	12,981,901	9	1.04%
Liggett Group - One Hundred Maple, LLC.....	74,641,045	3	3.54%	61,933,296	2	4.96%
Nypro, Inc. (a Jabil Company).....	46,747,189	4	2.21%	(2)		
Tanger Piedmont, LLC.....	43,879,241	5	2.08%	(2)		
Morinaga America Foods, Inc.....	35,843,403	6	1.70%	(2)		
Sandvik, Inc.....	35,135,527	7	1.66%	26,056,871	4	2.09%
Gregory Poole Equipment Company.....	28,322,036	8	1.34%	(2)		
Cambro Manufacturing Co.....	25,649,645	9	1.22%	(2)		
Armacell LLC/Armstrong.....	24,941,923	10	1.18%	20,906,190	5	1.68%
Mebane Packaging / Meadwestvaco						
Healthcare Packaging.....	(2)			26,642,687	3	2.14%
Oakland/Fieldstone/Club Mill Creek.....	(2)			15,664,635	6	1.26%
Mebane Apartments Associates.....	(2)			14,158,033	7	1.13%
A.O. Smith Corporation.....	(2)			13,089,570	8	1.05%
Madison River /Mehtel.....	(2)			11,857,130	10	0.95%
Total.....	<u>\$495,411,800</u>		<u>23.47%</u>	<u>\$308,165,910</u>		<u>24.70%</u>

Source:

Alamance County Tax Department.

Notes:

(1) Assessed valuation represents taxes assessed and due in the fiscal year ended June 30, 2018.

(2) Not within top ten ranking.

**City of Mebane, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 8

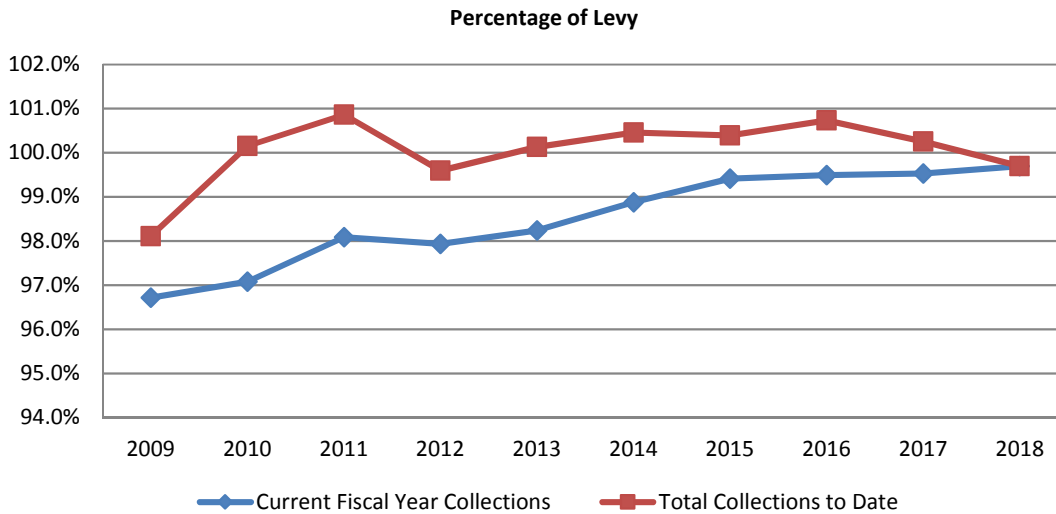
<u>Fiscal Year</u>	<u>Fiscal Year of the Levy</u>			<u>Total Collections to Date</u>		
	<u>Taxes Levied for the Fiscal</u>		<u>Percentage of Levy</u>	<u>Collections in Subsequent</u>		<u>Percentage of Levy</u>
	<u>Year ⁽¹⁾</u>	<u>Amount</u>		<u>Years</u>	<u>Amount</u>	
2009.....	6,221,517	6,017,237	96.7%	86,892	6,104,129	98.1%
2010.....	6,416,271	6,229,142	97.1%	196,787	6,425,929	100.2%
2011.....	6,517,986	6,393,383	98.1%	180,789	6,574,172	100.9%
2012.....	7,062,935	6,917,103	97.9%	117,216	7,034,319	99.6%
2013.....	7,354,497	7,224,810	98.2%	139,590	7,364,400	100.1%
2014.....	7,764,524	7,677,173	98.9%	122,725	7,799,898	100.5%
2015.....	8,223,909	8,175,886	99.4%	80,551	8,256,437	100.4%
2016.....	8,528,175	8,485,223	99.5%	105,709	8,590,932	100.7%
2017.....	9,288,710	9,244,828	99.5%	67,369	9,312,197	100.3%
2018.....	9,815,332	9,785,748	99.7%	-	9,785,748	99.7%

Sources:

Alamance County Tax Department.

Notes:

⁽¹⁾ Taxes levied for the fiscal year are not adjusted for discoveries in subsequent years but their collection is included in the total collections to date for the year in which they would have been levied.



City of Mebane, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

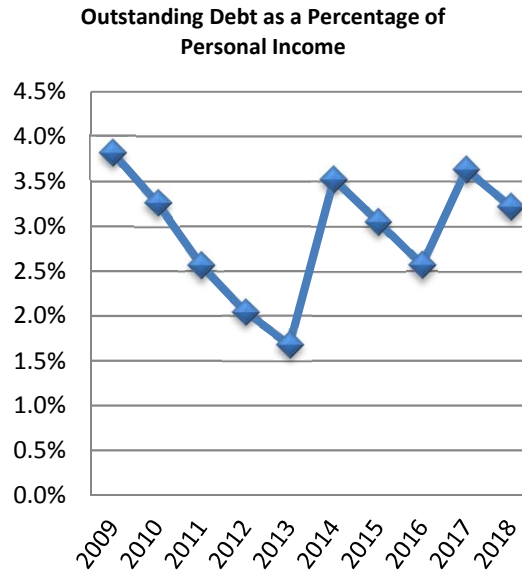
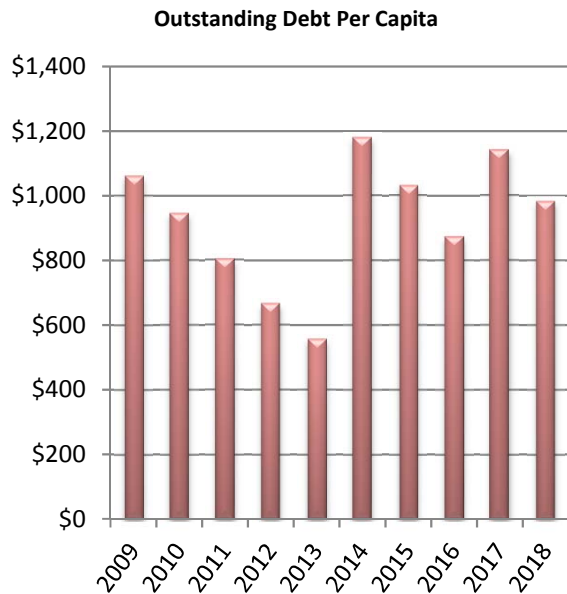
Table 9

Fiscal Year	Governmental	Business-type Activities		Total	Percentage of	
	Activities	General	Installment		Personal	Per Capita ⁽¹⁾
	<u>Installment</u> <u>Financing</u> ⁽²⁾	<u>Obligation</u> <u>Bonds</u>	<u>Financing</u> ⁽²⁾		<u>Income</u> ⁽¹⁾	
2009.....	5,875,201	980,000	5,291,319	12,146,520	3.8%	1,061
2010.....	5,177,565	885,000	4,751,940	10,814,505	3.3%	945
2011.....	4,469,919	785,000	4,102,225	9,357,144	2.6%	804
2012.....	3,856,669	680,000	3,437,758	7,974,427	2.0%	666
2013.....	3,430,002	570,000	2,758,161	6,758,163	1.7%	557
2014.....	7,348,610	455,000	6,788,750	14,592,360	3.5%	1,180
2015.....	6,514,756	335,000	6,162,611	13,012,367	3.1%	1,032
2016.....	5,679,678	215,000	5,272,472	11,167,150	2.6%	874
2017.....	11,141,683	95,000	4,869,335	16,106,018	3.6%	1,141
2018.....	10,257,277	-	4,459,195	14,716,472	3.2%	983

Notes:

⁽¹⁾ See Table 13 for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

⁽²⁾ Details regarding outstanding debt can be found in the notes to the financial statements.



City of Mebane, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 10

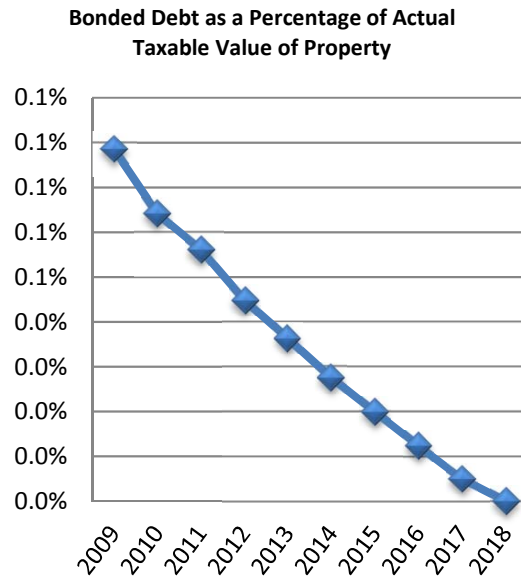
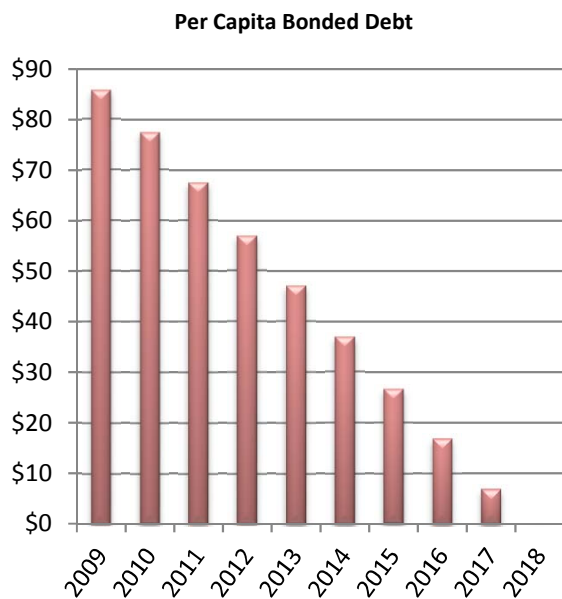
<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Percentage of Actual</u>	
		<u>Taxable Value of Property</u> ⁽¹⁾	<u>Per Capita Bonded Debt</u> ⁽²⁾
2009.....	980,000	0.08%	86
2010.....	885,000	0.06%	77
2011.....	785,000	0.06%	67
2012.....	680,000	0.04%	57
2013.....	570,000	0.04%	47
2014.....	455,000	0.03%	37
2015.....	335,000	0.02%	27
2016.....	215,000	0.01%	17
2017.....	95,000	0.00%	7
2018.....	0	0.00%	-

Notes:

⁽¹⁾ See Table 5 for Assessed Value of Taxable Property.

⁽²⁾ See Table 13 for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

⁽³⁾ Details regarding outstanding debt can be found in the notes to the financial statements.



City of Mebane, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> ⁽¹⁾	<u>Estimated Share of Direct and Overlapping Debt</u>
Alamance County general obligation debt.....	\$ 53,226,932	11.56%	\$ 6,153,033
Orange County general obligation debt.....	71,185,000	1.94%	<u>1,380,989</u>
Subtotal, overlapping debt.....			7,534,022
City of Mebane debt.....			<u>10,257,277</u>
Total direct and overlapping debt.....			<u>\$ 17,791,299</u>

Sources:

Alamance and Orange County debt outstanding provided by Alamance and Orange Counties.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

⁽¹⁾ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City of Mebane's boundaries and dividing it by each unit's total taxable assessed value. Taxable assessed property values as of June 30, 2018 were used to determine the overlapping debt percentage.

**City of Mebane, North Carolina
 Legal Debt Margin Information
 Last Ten Fiscal Years**

Table 12

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt</u>		<u>Legal Debt Margin as a</u>	
		<u>Applicable to</u>	<u>Legal Debt</u>	<u>Percent of Debt</u>	<u>Limit</u>
2009.....	99,822,667	12,393,747	87,428,920	87.6%	
2010.....	110,432,683	11,075,272	99,357,411	90.0%	
2011.....	111,935,028	9,660,046	102,274,982	91.4%	
2012.....	121,184,113	8,311,706	112,872,407	93.1%	
2013.....	125,629,798	7,112,016	118,517,782	94.3%	
2014.....	132,325,876	14,748,774	117,577,102	88.9%	
2015.....	134,694,582	13,012,364	121,682,218	90.3%	
2016.....	139,327,191	11,167,150	128,160,041	92.0%	
2017.....	153,527,862	16,106,018	137,421,844	89.5%	
2018.....	168,853,842	14,716,472	154,137,370	91.3%	

Notes:

Legal Debt Margin Calculation for Fiscal Year 2018:

Assessed valuation.....	\$ 2,110,673,025	
Statutory limit percentage.....	8.0%	
Debt limit - 8.0% of assessed value.....		\$ 168,853,842
Gross debt:		
Total bonded debt.....	-	
Authorized and unissued bonds.....	-	
Lease financing agreements.....	14,716,472	
Total gross debt.....	14,716,472	
Less: statutory deductions.....	-	
Total amount of debt applicable to debt limit (net debt).....		14,716,472
Legal Debt Margin.....		\$ 154,137,370

City of Mebane, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years

Table 13

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal</u> <u>Income</u> ⁽²⁾	<u>Median</u> <u>Household</u> <u>Income</u>	<u>Median Age</u> ⁽⁴⁾	<u>Unemployment</u> <u>Rate</u> ⁽⁵⁾
2009.....	11,444	317,755,568	48,164	35.6	8.1%
2010.....	11,446	331,334,588	50,000	34.5	7.9%
2011.....	11,642	364,813,073	50,700	33.9	7.1%
2012.....	11,965	390,349,988 *	51,675	35.4	6.5%
2013.....	12,128	402,060,488 *	53,166	35.8	6.2%
2014.....	12,366	414,122,302 *	52,586	35.8 *	6.3%
2015.....	12,613 *	426,545,971 *	53,029	35.8 *	5.7%
2016.....	12,774 *	435,076,890 *	53,029	35.8 *	4.7% *
2017.....	14,117 *	443,778,428 *	54,430	35.9 *	4.0% *
2018.....	14,973 *	457,091,781 *	56,037	35.8 *	4.0% *

Note: Many of these data elements are not published annually for cities. Data is estimated using the ratio of Mebane to Alamance County from the 2010 census and the 2005-2014 American Community Survey. That ratio was applied back to annual county data to estimate the data for the City of Mebane.

Notes:

(1) Office of State Management and Budget, NC Department of Revenue

(2) U. S. Department of Commerce, Bureau of Economic Analysis.

United States Census Bureau, Most recent available census data.

(3) American City Survey Fact Finder.

(4) N. C. Employment Security Commission, Local Area Unemployment Statistics

(4) N. C. Employment Security Commission, Local Area Unemployment Statistics

* Data not available - estimated based on trends.

**City of Mebane, North Carolina
Principal Employers
Current Year and Nine Years Ago**

Table 14

<u>Employer</u>	<u>2018⁽¹⁾</u>			<u>2009⁽²⁾</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>
			<u>Total</u>			<u>Total</u>
			<u>Employment</u>			<u>Employment</u>
GKN.....	885	1	9.2%	500+	1	5.2%
Walmart Distribution.....	586	2	6.1%			
General Electric.....	584	3	6.1%	250+	4	2.6%
AKG of America.....	438	4	4.6%	250+	5	2.6%
Jabil (Nypro).....	400	5	4.2%			
Sports Endeavors.....	300	6	3.1%	500+	2	5.2%
Liggett Group LLC.....	265	7	2.8%	400+	3	4.2%
Armacell.....	250	8	2.6%			
Morinaga.....	129	9	1.3%			
Sandvic.....	125	10	1.3%			
West Rock (Meadwestvaco).....	*			250+	6	2.6%
Kingsdown.....	*			200+		(3)
A.O. Smith Electrical Components.....	*			200+		(3)
Walter Kidde.....	*			200+		(3)
B.D. Disgnostics- Tripath.....	*			200+		(3)
Total.....	3,962		41.3%	2950		22.4%

Sources:

- (1) Human Resource Directors- Phone or Email
- (2) Alamance County Area Chamber of Commerce data for closest year available
- (3) Not available

* Not in top ten this year

City of Mebane, North Carolina
Full-time-Equivalent Employees by Function
Last Ten Fiscal Years

Table 15

Function / Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Mayor & City Council.....	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
City Manager.....	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance.....	3.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0	4.0	4.0
Human Resources.....	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Collector.....	1.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	-	-
City Attorney.....	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Information Technology.....	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Public Buildings.....	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0	4.0	5.0
Public Safety:										
Police Department.....	24.0	26.0	30.0	30.0	31.0	31.0	32.0	35.0	35.5	40.0
Fire Department.....	14.0	15.0	15.0	16.0	16.0	16.0	25.0	25.0	25.0	25.0
Economic and Physical Development:										
Planning.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Inspections.....	1.0	4.0	4.0	3.0	3.0	4.0	4.0	4.0	5.0	4.0
Public Works:										
Streets.....	7.0	7.0	6.0	7.0	9.0	-	-	-	-	-
Sanitation.....	6.0	6.0	5.0	5.0	7.0	7.0	7.0	8.0	8.0	8.0
Public Works.....	5.0	4.0	5.0	5.0	5.0	12.0	12.0	12.0	13.0	12.0
Culture and Recreation:										
Recreation.....	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	7.0
Arts and Community Center.....	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Water and Sewer:										
Billing and Metering.....	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water distribution and maintenance.....	3.0	3.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0
Waste Collection and Treatment:										
Pretreatment - industrial monitoring.....	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Wastewater Treatment Plant.....	4.0	4.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Laboratory.....	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sewer mains and lift stations.....	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total.....	92.5	97.5	105.5	106.5	109.5	110.5	122.5	128.5	131.0	136.5

Sources:

City of Mebane staff

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

**City of Mebane, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years**

Table 16

Function	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Finance Department										
Vendor checks issued.....	2,423	2,509	1,545	2,675	3,003	2,952	3,029	3,095	3,104	3,299
Human Resources										
Workers' compensation lost time (days).....	4	-	2	155	52	122	-	-	-	-
Employee turnover rate.....	9%	8%	6%	3%	7%	3%	5%	9%	5%	9%
Public Safety										
Fire Protection										
Incident calls.....	1,841	1,775	873	1,812	732	823	773	840	909	918
Structure fires.....	80	67	37	168	303	211	15	19	26	34
Inspections.....	121	1,009	442	103	177	190	186	394	363	250
Child passenger seat inspections.....	105	157	49	197	242	191	154	204	193	237
Police Protection										
Physical arrests.....	459	457	240	552	653	568	501	377	438	482
Citations issued.....	1,388	960	544	1,073	1,489	1,226	1,028	926	1,585	1,522
Response to calls/officer initiated activity.....	9,672	8,470	5,625	13,163	15,363	14,942	14,685	16,968	16,363	1,722
Traffic accidents.....	428	471	198	593	583	528	491	620	790	628
Public Works										
Street resurfacing (miles).....	0.85	1.20	1.48	3.19	0.54	2.67	1.48	1.48	1.51	1.32
Refuse collected (tons annually).....	3,072	3,126	NA	3,200	3,267	3,390	3,585	3,880	4,073	4,278
Homes receiving service.....	4,031	4,088	NA	4,581	4,522	3,965	4,756	4,527	4,717	5,354
Recyclables collected (tons annually).....	707	724	NA	946	1,063	1,112	1,100	841	862	864
Economic & Physical Development										
Inspections										
Residential inspections conducted.....	2,648	3,549	2,722	3,247	3,460	5,914	5,212	6,477	7,348	4,765
Commercial inspections conducted.....	883	1,001	724	490	332	785	1,462	8,499	9,710	5,449
Total inspections conducted.....	<u>3,531</u>	<u>4,550</u>	<u>3,446</u>	<u>3,737</u>	<u>3,792</u>	<u>6,699</u>	<u>6,674</u>	<u>14,976</u>	<u>17,058</u>	<u>10,214</u>
Certificates of occupancy issued.....	171	171	74	136	125	131	154	166	216	102
Building permits issued.....	1,195	1,771	455	245	277	228	155	191	143	171
Cultural & Recreation										
Recreation										
Athletics participants.....	2,909	NA	NA	2,458	3,140	2,693	2,653	2,744	2,679	2,679
Water Distribution										
Accounts.....	3,905	4,007	4,174	4,302	4,454	4,566	4,744	4,934	5,227	5,471
Average daily consumption (mgd).....	1.161	1.257	1.321	1.150	1.290	1.350	1.400	1.510	1.880	1.760
Wastewater Treatment										
Accounts.....	3,546	3,674	3,836	3,974	4,125	4,263	4,424	4,587	4,898	5,034
Average daily treatment (mgd).....	1.120	1.093	1.082	1.000	1.100	1.340	1.202	1.359	1.373	1.290

Sources:

Various City departments

Notes:

"NA" indicates "not available"

*All years prior to 2011 were based on calendar year data

City of Mebane, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years

Table 17

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire Protection										
Stations.....	2	2	2	2	2	2	3	3	3	3
Fire trucks.....	12	12	11	12	12	13	13	13	13	13
Police Protection										
Stations.....	1	1	1	1	1	1	1	1	1	1
Patrol units.....	19	22	27	30	32	32	30	29	31	39
Public Works										
Miles of streets.....	48.0	48.8	50.4	51.0	52.2	52.4	54.0	54.3	54.7	56.6
Maintenance vehicles.....	NA	93	93	58	56	56	58	58	51	45
Miles of sidewalks (linear feet).....	NA	25.3	38.2	42.9	43.0	43.0	50.1	50.8	54.2	55.3
Refuse collection trucks.....	NA	6	6	5	5	6	6	6	6	6
Cultural & Recreation										
Number of parks	6	6	6	6	6	6	6	6	6	7
Park acreage.....	275	275	275	275	275	275	275	275	308	308
Trails (miles).....	3	3	3	3	3	3	3	3	3	3
Playgrounds.....	5	5	5	5	5	5	5	5	5	3
Baseball/softball diamonds.....	6	6	6	6	6	6	6	6	6	6
Soccer fields.....	8	8	8	10	10	10	10	10	10	10
Water and Sewer										
Miles of gravity sewer lines.....	NA	82	81.8	88.1	88.7	89.1	94.3	97.8	98.6	100.1
Miles of water lines.....	NA	92	91.6	100.1	103.1	104.6	111.3	111.3	114.9	117.2
Miles of sewer force mains.....	NA	17	16.5	17.3	18.7	18.5	18.3	21.9	18.3	18.5
Miles of storm sewer.....	NA	56	55.9	57.0	57.0	57.6	58.5	61.1	61.8	64.9

Source:

Various City departments

Notes:

"NA" indicates "not available"

Compliance Section

This section contains compliance reports for the City's Governmental Compliance.

- **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**
- **Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With the Uniform Guidance and the State Single Audit Implementation Act**
- **Schedule of Findings and Questioned Costs, Corrective Action Plans and Summary Schedules of Prior Audit Findings**
- **Schedule of Expenditures of Federal and State Awards**



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

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Mebane
Mebane, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mebane, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the City of Mebane's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mebane's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

STOUT STUART MCGOWEN & KINGS, LLP

October 31, 2018



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE STATE
SINGLE AUDIT IMPLEMENTATION ACT**

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Mebane
Mebane, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Mebane complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

STOUT STUART McGOWEN & KINGS, LLP

October 31, 2018

CITY OF MEBANE, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
 considered to be material weaknesses _____ Yes X None Reported

Noncompliance material to financial statements noted _____ Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
 considered to be material weaknesses _____ Yes X None Reported

Type of auditor's report issued on compliance for
 major State programs: Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with State Single Audit
 Implementation Act _____ Yes X No

Identification of major State Programs:

Program Name

Powell Bill

CITY OF MEBANE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

CITY OF MEBANE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2018

None Reported

City of Mebane, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed Through to Subrecipient</u>
Federal Awards:					
Cash Programs:					
<u>U.S. Dept. of Justice</u>					
Direct Program:					
Federal Equitable Sharing Funds	16.922	na	\$ 150,169	\$ -	\$ -
Total assistance - federal programs			<u>150,169</u>	<u>-</u>	<u>-</u>
Cash Assistance:					
<u>N.C. Department of Transportation:</u>					
Powell Bill.....	na	2000001817	-	343,853	-
<u>N.C. Department of Commerce:</u>					
One NC Fund	na		-	182,500	182,500
Total assistance - state programs.....			<u>-</u>	<u>526,353</u>	<u>182,500</u>
Total assistance.....			<u>\$ 150,169</u>	<u>\$ 526,353</u>	<u>\$ 182,500</u>

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

1. The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Mebane under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Mebane , it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Mebane.

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

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

