



**TOWN OF DAVIDSON  
BOARD OF COMMISSIONERS**

**Town Hall Board Room - 216 S. Main Street  
December 11, 2018**

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**I. 5:00PM - CALL TO ORDER**

**II. CLOSED SESSION**

- (a) **Consult with Attorney NCGS 143-318.11. (a) (3)  
Davidson Acquisition Company, et. al. v. Town of Davidson , et. al.**

**III. 6:00PM - ANNOUNCEMENTS**

- (a) **Davidson Main Street Business Grant  
Economic Development Manager Kim Fleming  
Summary:** The Davidson Board of Commissioners allocated \$15,000 in this year's budget to fund the Davidson Main Street Business Grant to further their strategic goal of historic preservation. The goals of the program are to provide direct financial benefit to small businesses; retain and create jobs in association with small businesses; and spur private investment in association with small businesses located in our local historic district.

**IV. CHANGES TO AGENDA**

**V. PUBLIC COMMENTS**

**VI. PRESENTATIONS**

- (a) **FY2018 Audited Financial Statements  
Finance Director Pieter Swart and Lead Auditor Ann Craven of  
Rowell, Craven and Short, PA  
Summary:** Finance Director Pieter Swart and Lead Auditor Ann Craven will present the FY2018 Audited Financial Statements for the Town of Davidson.

**VII. CONSENT - Consent items are non-controversial and routine items. Prior to the board's adoption of the meeting agenda the request of any member to have an item moved from the consent agenda to old business must be honored by the board. All items on the consent agenda must be voted on and adopted by a single motion.**

- (a) **Consider Approval of Draft November Meeting Minutes**

**Summary:** Draft Meeting Minutes from November 6, November 13, and November 27

- (b) **Consider Approval of 2019 Meeting Schedule**  
**Summary:** At the November 6 work session, the Board of Commissioner reviewed the draft 2019 meeting schedule. The Board agreed to have meetings on the 2nd and 4th Tuesday of the month with a potential for a quarterly meeting on the 1st Tuesday of March, June, and September.
- (c) **Consider Approval of Budget Amendment 2019-16 Affordable Housing Contribution to 335 Sloan Street and Budget Amendment 2019-17 Purchase of 335 Sloan Street**  
**Summary:** On November 27, 2018, the Board approved the purchase of the property at 335 Sloan Street. Budget Amendment 2019-16 and 2019-17 allocate funds to proceed with the purchase.
- (d) **Consider Approval of NC Grant Requests for Police & Fire and Budget Amendment 2019-18**  
**Summary:** In the 2018 State legislative short session, legislation was passed that included the town of Davidson receiving two grants - \$100,000 for police equipment and \$100,000 for fire equipment. Police Chief Penny Dunn, Fire Chief Bo Fitzgerald, and Finance Director Pieter Swart developed the attached proposed equipment requests that meet the grant funding criteria.

## **VIII. OLD BUSINESS**

- (a) **Consider Approval of Affordable Housing Action Plan Items**  
**Town Attorney Cindy Reid**  
**Summary:** At the November 13, 2018 Board of Commissioners meeting, the Board asked for follow up on several steering committee recommendations: the teaching house proposed by the Ada Jenkins Center, repairs and renovations to 4 homes owned and occupied by lower income households and the continuation of down payment assistance.
- (b) **What's Next Davidson Comprehensive Plan Update**  
**Planning Director Jason Burdette and Communications Director Cristina Shaul**  
**Summary:** A comprehensive plan is the leading policy document and tool to help communities create a vision and guiding principles for decision-making for their town. The comprehensive plan's purpose is to directly inform decisions that we make as a community.

We have established two key groups to help with the What's Next? process:

- The Plan Advisory Group (a sounding board to guide the development of the plan); and,
- The Publicity & Outreach Committee (a group to help encourage participation in the process).

They have been very effective in developing the questions that need to be answered by the community at the "*Conversation on What's Next*" community-wide workshop on January 17 and outreach to encourage people to take the exploration survey and attend the workshop.

## **IX. NEW BUSINESS**

- (a) **Small Cell Wireless Facilities Ordinance**  
**Town Attorney Cindy Reid and Public Works Director Doug Wright**  
**Summary:** The General Assembly passed House Bill 310, “An Act to Reform Collocation of Small Wireless Communications Infrastructure to Aid Deployment of New Technologies” in June 2017, and it became effective in July 2017. The legislation significantly limits municipal authority regarding the siting of small cell installations and opens up the public right of way for installation of these facilities.
- An overview of the both federal and state legislation as well as a very general description of how the town may regulate small cell wireless use of town ROW was presented at the December 4 meeting. The Municipal Code amendments will be presented at the December 11 meeting and the Board of Commissioners will be asked to approve the amendments at the January 8 meeting. Neither a planning board recommendation or public hearing are required for amendments to the Municipal Code.
- (b) **2018 Strategic Plan Accomplishments**  
**Town Manager Jamie Justice**  
**Summary:** The Mayor and Board of Commissioners asked that staff provide a report on the 2018 accomplishments that coincides with the first year of the two-year term of office. We framed the accomplishments report from the town board’s 2018-2019 strategic plan focus areas. The accomplishments cover the first several months of low hanging items the board asked staff to accomplish as well as the strategic plan initiatives identified in the 2018-19 strategic plan adopted in March 2018.

## **X. SUMMARIZE MEETING ACTION ITEMS**

## **XI. ADJOURN**



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**Agenda Title: Consult with Attorney NCGS 143-318.11. (a) (3)  
Davidson Acquisition Company, et. al. v. Town of Davidson , et. al.**

**Summary:**

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**ATTACHMENTS:**

**Description**

**Upload Date**

**Type**

No Attachments Available





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**Agenda Title: Davidson Main Street Business Grant  
Economic Development Manager Kim Fleming**

**Summary:** The Davidson Board of Commissioners allocated \$15,000 in this year's budget to fund the Davidson Main Street Business Grant to further their strategic goal of historic preservation. The goals of the program are to provide direct financial benefit to small businesses; retain and create jobs in association with small businesses; and spur private investment in association with small businesses located in our local historic district.

**Summary:**

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**ATTACHMENTS:**

Description		Upload Date	Type
▢	Agenda Memo - Davidson Main Street	12/7/2018	Cover Memo
	Business Grant 12-11-18		



## Davidson Main Street Business Grant

To: Davidson Board of Commissioners  
From: Kim Fleming  
Date: December 11, 2018  
Re: Davidson Main Street Business Grant

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### 1. OVERVIEW

The Davidson BOC allocated \$15,000 in this year's budget to fund the Davidson Main Street Business Grant to further their strategic goal of historic preservation. The goals of the program are to provide direct financial benefit to small businesses; retain and create jobs in association with small businesses; and spur private investment in association with small businesses located in our local historic district.

### 2. RELATED TOWN GOALS

Historic Preservation

List which constituents are served: businesses, residents, visitors

### 3. OPTIONS/PROS & CONS

The DRB (Design Review Board) acting as the HPC (Historic Preservation Committee) reviewed all completed applications and made recommendations for the allocation of funds.

### 4. FYI or RECOMMENDED ACTION

The HPC awarded the following grants: Davidson Wine Co. (\$8,000), Moxie Mercantile (\$5,000), and Summit Coffee (\$2,000).

### 5. NEXT STEPS

Grant recipients will receive their funds after turning in invoices from applicable expenses.



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**Agenda Title: FY2018 Audited Financial Statements**  
**Finance Director Pieter Swart and Lead Auditor Ann Craven of Rowell, Craven and Short, PA**

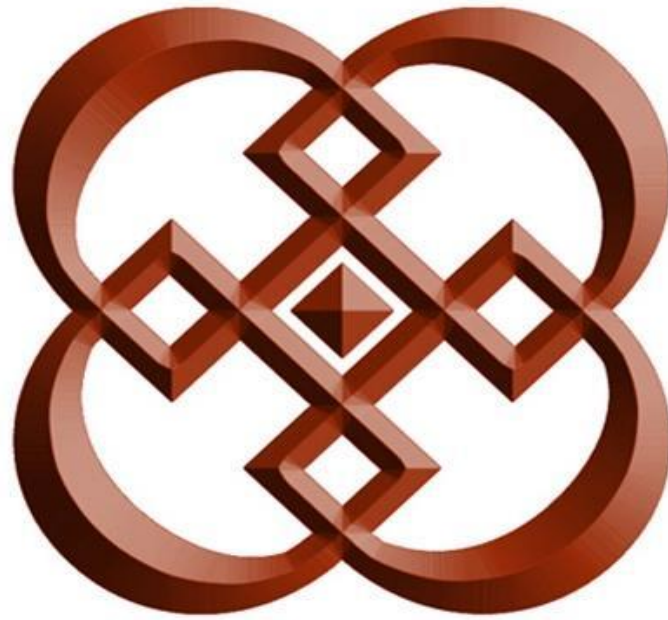
**Summary:** Finance Director Pieter Swart and Lead Auditor Ann Craven will present the FY2018 Audited Financial Statements for the Town of Davidson.

**Summary:**

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**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
□	Presentation - FY2018 Audit 12-11-18	12/7/2018	Presentation
□	Attachment - Town of Davidson Audit 2018	12/7/2018	Backup Material



# *The* Town *of* Davidson

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College Town. Lake Town. *Your Town.*

# Presentation of Financial Audit Results

Ann Craven  
Rowell, Craven, and Short, P.A.



# Fund Balance

- Total fund balance as of June 30, 2018 is \$9,259,638
- \$2,085,345 of total fund balance is “Restricted” meaning it cannot be spent due to restrictions placed on the funds by the State of North Carolina
- \$130,628 of total fund balance is “Committed” meaning it cannot be spent due to restrictions placed on the funds by the Board
- \$27,370 of Unspendable and Assigned Items
- \$7,016,295 of Unassigned Fund Balance at June 30, 2018



# Unassigned Fund Balance

Unassigned Fund balance at June 30, 2018:	\$ 7,016,295	63%	FY18 Budget
		78%	FY17 Actual
Minus: 35% of GF Budgeted Exp. for FY2019 at July 1, 2018:	<u>\$ (4,180,050)</u>	Stabilization Threshold	
Unassigned FB over Stabilization Threshold:	\$ 2,836,245		
Minus: Unassigned Fund Balance allocated in FY 2019	<u>\$ (575,243)</u>		
Unassigned Fund Balance Available for Capital Projects	\$ 2,261,002		
Minus: Total Carry-forward & Approved Projects	<u>\$ (80,000)</u>		
Unallocated Unassigned Fund Balance over Stabilization	<u>\$ 2,181,002</u>		



# Unassigned Fund Balance

- Unassigned fund balance (UFB) decreased by \$336K in FY2018 to \$7.02 million
- Less the stabilization threshold, available UFB was \$2.84 million at June 30, 2018
- Currently, with deductions for carry forwards, approved projects, and funds to be reimbursed, we have \$2.18 million in UFB which can be allocated.
- Board remains well positioned to fund capital needs and take advantage of potential grant funded projects which require match and GO Bond projects.



# Questions



**Town of Davidson,  
North Carolina**

***Audited Financial Statements***

***For the Fiscal Year Ended June 30, 2018***

**Town Board**

*Rusty Knox, Mayor*  
*Jim Fuller, Mayor Pro Tem*  
*Jane Campbell*  
*Matthew Fort*  
*Autumn Rierson Michael*  
*David Sitton*

**Administrative and Fianancial Staff**

*James E. Justice, Town Manager*  
*Pieter C. Swart, III, CPA, Finance Director*

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Table of Contents* *June 30, 2018*

	<u>Exhibit</u>	<u>Page</u>
<b>FINANCIAL SECTION:</b>		
Independent Auditor's Report .....		1-2
Management's Discussion and Analysis .....		3-13
<b>BASIC FINANCIAL STATEMENTS:</b>		
Government-Wide Financial Statements:		
Statement of Net Position.....1.....		14
Statement of Activities.....2.....		15-16
<b>FUND FINANCIAL STATEMENTS:</b>		
Balance Sheet - Governmental Fund.....3.....		17
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position.....3.....		18
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....4.....		19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities of Governmental Funds.....4.....		20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund.....5.....		21
Statement of Net Position - Proprietary Funds.....6.....		22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....7.....		23
Statement of Cash Flows - Proprietary Funds.....8.....		24
Notes to Financial Statements.....		25-62

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Table of Contents* *June 30, 2018*

	<u>Statement/Schedule</u>	<u>Page</u>
<b>REQUIRED SUPPLEMENTAL FINANCIAL DATA:</b>		
Town of Davidson's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information Last Five Years.....		63
Town of Davidson's Contributions - Required Supplementary Information - Last Five Years.....		64
Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance.....		65
Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance.....		66
<b>SUPPLEMENTAL STATEMENTS:</b>		
Individual Fund Statements and Schedules:		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	1	67-71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Project Fund MI Connection.....	2	72
Combining Balance Sheet for Non-Major Governmental Funds.....	3	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Non-Major Governmental Funds .....	4	74
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Special Revenue Fund - Affordable Housing Program.....	5	75
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Special Revenue Fund - Public Art Project.....	6	76
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Capital Project Fund - Bradford Street.....	7	77

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Table of Contents* *June 30, 2018*

	<u>Statement/Schedule</u>	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Capital Project Fund - Fire Station.....	8.....	78
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Capital Project Fund - Potts-Sloan-Beaty Corridor.....	9.....	79
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Capital Project Fund - Parks/Greenway.....	10.....	80
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - From Inception - Capital Project Fund - Public Facilities.....	11.....	81
Schedule of Revenues and Expenditures - Budget and Actual (Non- GAAP) - Solid Waste Fund.....	12.....	82
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Storm-water Fund.....	13.....	83
 <b>OTHER SCHEDULES:</b>		
Schedule of Ad Valorem Taxes Receivable.....	1.....	84
Analysis of Current Tax Levy.....	2.....	85
 <b>COMPLIANCE SECTION:</b>		
Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....		86-87

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Board of Commissioners  
Town of Davidson, 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 Town of Davidson, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### ***Opinions***

In our opinion, 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 Town of Davidson, North Carolina as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 63 through 64 and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll on pages 65 through 66, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules 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 November 10, 2018 on our consideration of Town of Davidson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Davidson's internal control over financial reporting and compliance.

*Rowell, Craven & Short, P.A.*

Rowell, Craven & Short P.A.  
Charlotte, North Carolina  
November 10, 2018



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

### **Financial Highlights**

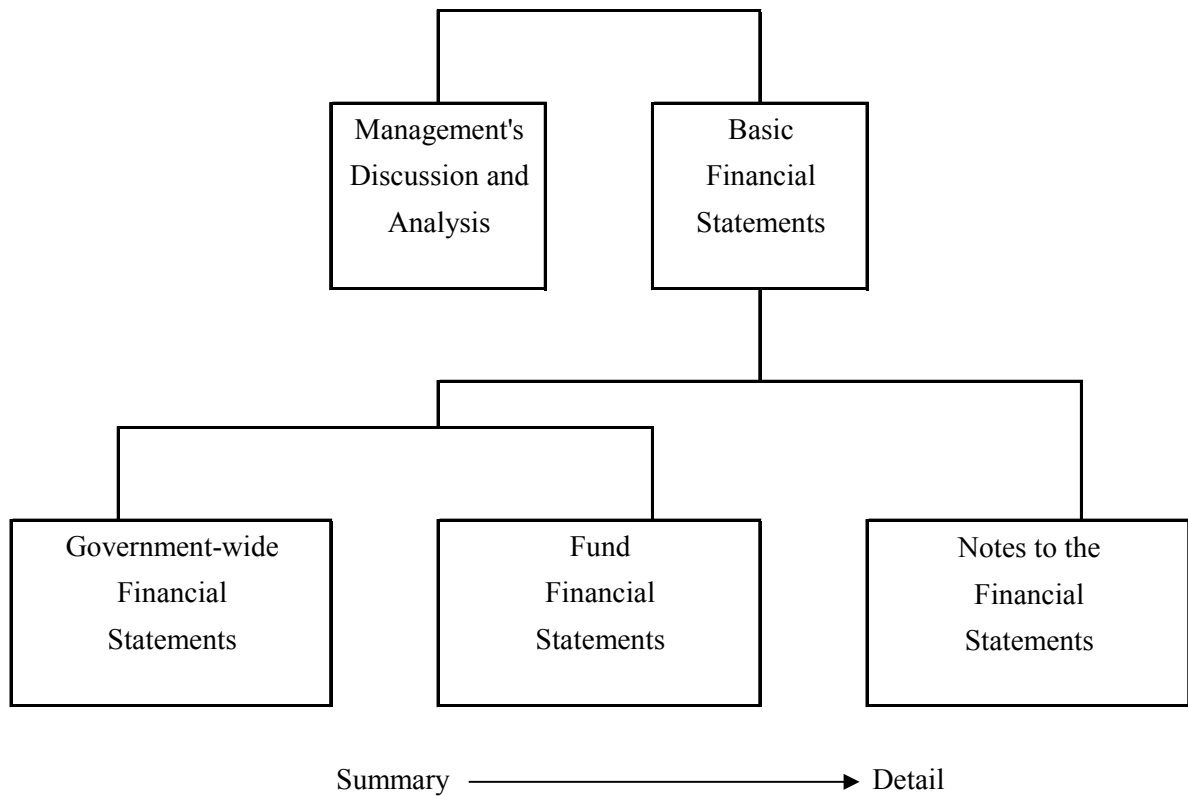
- The assets and deferred outflows of resources of the Town of Davidson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,621,713 (*net position*).
- The government's total net position increased by \$2,548,505, primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Davidson's governmental funds reported combined ending fund balances of \$12,916,357, with a net change of \$441,187 in fund balance. Approximately 45.68 percent of this total amount or \$5,900,062 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,016,295 or 60.98 percent of total general fund expenditures for the fiscal year.
- The Town of Davidson's total long-term liabilities decreased by \$70,284 (.97%) during the current fiscal year. The key factors relative to this decrease in the General Fund were decreased LGERS pension liability.

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

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements; and 4) the fiduciary 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 Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-wide Financial Statements

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

## **Government-wide Financial Statements - Continued**

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the solid waste and storm-water services offered by the Town of Davidson. The Town has no component units; however does participate in a Joint Agency with the Town of Mooresville. (See Notes to the Financial Statements, page 60 through 61).

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

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Davidson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Davidson can be divided into two categories: governmental funds and proprietary funds.

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

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

**Proprietary Funds** – Town of Davidson 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. Town of Davidson uses enterprise funds to account for its solid waste and storm-water services activities. These funds are the same as those functions shown 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 25 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Davidson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

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

## Government-Wide Financial Analysis

### Town of Davidson's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 14,118,479	\$ 13,301,754	\$ 653,283	\$ 386,585	\$ 14,771,762	\$ 13,688,339
Capital assets	19,509,766	17,496,457	-	-	19,509,766	17,496,457
Deferred outflows of resources	656,277	912,447	-	-	656,277	912,447
Total assets	34,284,522	31,710,658	653,283	386,585	34,937,805	32,097,243
Long-term liabilities						
outstanding	4,958,201	5,252,737	-	-	4,958,201	5,252,737
Other liabilities	3,349,920	2,721,204	-	-	3,349,920	2,721,204
Deferred inflows of resources	7,971	49,914	-	-	7,971	49,914
Total liabilities and deferred inflows of resources	8,316,092	8,023,855	-	-	8,316,092	8,023,855
Net position:						
Net investment in capital assets	15,612,627	15,084,273	-	-	15,612,627	15,084,273
Restricted	2,184,567	2,994,101	-	-	2,184,567	2,994,101
Unrestricted	8,171,236	5,608,249	653,283	386,585	8,824,519	5,994,834
Total net position	\$ 25,968,430	\$ 23,686,623	\$ 653,283	\$ 386,585	\$ 26,621,713	\$ 24,073,208

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Davidson exceeded liabilities and deferred inflows of resources by \$26,621,713 as of June 30, 2018. The Town's net position increased \$2,548,505 for the fiscal year ended June 30, 2018. However, the largest portion (58.65%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Davidson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Davidson's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Davidson's net position, \$2,184,567, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,171,236 is unrestricted.

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

- Overall, General Fund revenues exceeded expenses by over \$2.2 million. (*See Figure 3.*)
- Actual revenues exceeded budgeted by nearly \$1.2 million. (*See Exhibit 5.*)
- Actual expenditures were under budget by over \$2.8 million due to cost saving measures and continued attention to finding reductions in spending below budgeted amounts. (*See Exhibit 5.*)

**Town of Davidson's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 465,122	\$ 405,093	\$ 1,036,189	\$ 998,333	\$ 1,501,311	\$ 1,403,426
Operating grants and contributions	1,776,943	583,171	-	-	1,776,943	583,171
Capital grants and contributions	37,174	125,800	-	-	37,174	125,800
General revenues:						
Property taxes	6,988,785	6,568,586	-	-	6,988,785	6,568,586
Other taxes	4,202,886	3,725,621	-	-	4,202,886	3,725,621
Grants and contributions not restricted to specific programs	-	-	91,817	-	91,817	-
Other	631,144	120,987	-	-	631,144	120,987
Total revenues	14,102,054	11,529,258	1,128,006	998,333	15,230,060	12,527,591
<b>Expenses:</b>						
General government	1,724,821	1,593,065	-	-	1,724,821	1,593,065
Public safety	3,750,099	3,100,972	-	-	3,750,099	3,100,972
Transportation	2,839,845	1,820,831	-	-	2,839,845	1,820,831
Economic development	1,958,876	1,990,469	-	-	1,958,876	1,990,469
Environmental protection	9,772	-	-	-	9,772	-
Culture and recreation	1,434,754	1,353,292	-	-	1,434,754	1,353,292
Interest on long-term debt	142,847	268,218	-	-	142,847	268,218
Solid Waste	-	-	720,272	693,681	720,272	693,681
Stormwater	-	-	100,269	137,630	100,269	137,630
Total expenses	11,861,014	10,126,847	820,541	831,311	12,681,555	10,958,158
Increase(decrease) in net position before transfers	2,241,040	1,402,411	307,465	167,022	2,548,505	1,569,433
Transfers	40,767	61,846	(40,767)	(61,846)	-	-
Increase(decrease) in net position	2,281,807	1,464,257	266,698	105,176	2,548,505	1,569,433
Net position, July 1 (consolidated)	23,686,623	22,222,366	386,585	281,409	24,073,208	22,503,775
Net position, June 30	\$ 25,968,430	\$ 23,686,623	\$ 653,283	\$ 386,585	\$ 26,621,713	\$ 24,073,208

**Governmental Activities.** Governmental activities increased the Town's net position by \$2,281,807, thereby accounting for 89.5 percent of the total growth in the net position of the Town of Davidson. Key elements of this increase are as follows:

- Ad Valorem Tax revenues increased 6.7% over the prior fiscal year, while consumption-based tax revenue increased 14.1%.
- Total revenues exceeded total expenses by \$2,241,040 due to cost saving measures and continued attention to finding reductions in expenses.

**Business-type Activities.** Business-type activities increased the Town's net position by \$266,698 accounting for 10.5 percent of the total growth in the government's net position.

Key elements of this increase are as follows:

- Fee revenues were evaluated and revised for fiscal year 2015 to align revenue with actual expenditures; fee revenues were evaluated for fiscal year 2018 but did not require revision.

### **Financial Analysis of the Town Funds**

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

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

The general fund is the chief operating fund of the Town of Davidson. At the end of the current fiscal year, the Town of Davidson's fund balance available in the General Fund was \$7,016,295, while total fund balance reached \$9,259,638. The governing body of the Town of Davidson has adopted a minimum fund balance policy that instructs management to conduct business in such a manner that the unassigned fund balance be no less than 35 percent of budgeted general fund expenditures in the next fiscal year. The purpose of a minimum fund balance policy is to have an adequate balance of general funds in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 60.98% of general fund expenditures, while total fund balance represents 80.48% of the same amount.

At June 30, 2018, the governmental funds of Town of Davidson reported a combined fund balance of \$12,916,357 with a net increase in fund balance of \$441,187. Included in this change in fund balance are a decrease in fund balance of \$286,251 in the General Fund and an increase of \$727,438 in special revenue and capital project funds.

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

Revenues were adjusted to reflect:

- A grant received for the Arts Project Fund and a SAFER grant for the Fire Department
- Award of Home Consortium pass-through funds for inclusive housing construction
- Donations received for Fire Station #2
- Appropriations of fund balance



Expenditures were adjusted to reflect:

- New projects funded from unassigned fund balance and installment financing
- Offsets to changes in revenue above
- Improvements and repairs to parks and streets
- Costs of building and equipping Fire Station #2, a fire tanker apparatus and a fire pumper apparatus

Revenues were more than the budgeted amounts primarily because the Town's conservative revenue projections were exceeded in most revenue categories. Expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Davidson's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$336,029, and for the Storm Water Fund amounted to \$317,254. The total change in net position for the Solid Waste Fund and the Storm Water Fund was \$67,221 and \$199,477, respectively. The increase in the net position of the solid waste fund was due primarily to a renegotiation of the waste collection services contract. The storm water fee structure was evaluated in fiscal year 2014 and an increase to rates was approved for fiscal year 2015.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Davidson's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$19,509,766 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Fire Station #2 was completed (\$2,146,041).
- Purchase of vehicles and equipment in the governmental activities – 2 Ford Explorers for the Police Department (\$76,678); a Tanker Fire Apparatus for the Fire Department (\$337,000); and a sidewalk grinder for the Public Works Department (\$6,629).
- Sloan Street Property purchased (\$52,677).
- Other capital improvements include installation of sidewalks (\$134,950).

Capital assets consist of:

- Land and other non-depreciable assets of \$5,676,229.
- Other capital assets (net of depreciation of \$6,829,815) total \$13,833,537.

**Town of Davidson's Capital Assets  
Net of Depreciation**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,253,740	\$ 4,285,963	\$ -	\$ -	\$ 4,253,740	\$ 4,285,963
Buildings and systems	5,512,334	\$ 3,470,267	-	-	5,512,334	3,470,267
Improvements other than buildings	6,913,945	7,053,752			6,913,945	7,053,752
Machinery and equipment	669,490	742,285	-	-	669,490	742,285
Computers and Computer software	25,331	42,958	-	-	-	-
					25,331	42,958
Vehicles and motorized equipment	712,437	535,081	-	-	712,437	535,081
Construction in progress	1,422,489	1,366,151	-	-	1,422,489	1,366,151
<b>Total</b>	<b>\$ 19,509,766</b>	<b>\$ 17,496,457</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,509,766</b>	<b>\$ 17,496,457</b>

Additional information on the Town's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2018, the Town of Davidson had total debt outstanding of \$5,670,180. Of this total amount, \$1,773,041 is due to Town of Mooresville under the amended joint agency agreement described in Note VII, beginning on page 58 of this report. The Town of Davidson's outstanding debt increased by \$24,410 (.43%) due to increased installment debt.

**Long-term Liabilities.** In addition to its long-term debt, the Town of Davidson is liable for long-term liabilities of \$1,496,847. Of this total amount, \$256,669 is due Town employees for compensated absences. The remaining amount of \$1,240,178 relates to the obligation for the LGERS pension plan and Law Enforcement Officers Special Separation Allowance described in detail in Note III.B.1 beginning on page 37 of this report. The Town of Davidson's other long-term liabilities decreased by \$94,694 (5.95%) due, primarily, to a decrease in LGERS pension liability.

## Town of Davidson's Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment financing	\$3,897,139	\$2,000,000	\$ -	\$ -	\$3,897,139	\$2,000,000
Due to other governments	1,773,041	1,804,351	-	-	1,773,041	1,804,351
Total	\$5,670,180	\$3,804,351	\$ -	\$ -	\$5,670,180	\$3,804,351

### Town of Davidson's Outstanding Debt

During the fiscal year ended June 30, 2018, voters approved the issuance of \$15,000,000 of general obligation bonds which remained un-issued at June 30, 2018.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Davidson is \$159,457,022.

Additional information regarding Town of Davidson's long-term debt and liabilities can be found in Note III.B.4 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town of Davidson:

- The Town of Davidson's unemployment rate is unavailable due to its small population; however, it does fall in Mecklenburg County which has an unemployment rate of 4.0% as of June 2018 as compared to the rate for the State of North Carolina of 4.3% according to the North Carolina Department of Commerce.
- The Town continues to fund a joint industrial park with the neighboring towns of Huntersville and Cornelius to help bring a better balance to our 81% residential/19% commercial tax base.
- Working within the economic development plan approved by the Board the Town strives to leverage assets in areas of investment and reposition the Town within the regional economy.

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

#### Governmental Activities:

- Property taxes and revenues are expected to increase 3.1% over the fiscal year 2018 budget.
- Sales tax distributions are expected to increase by 5.4% over the fiscal year 2018 budget.
- Total General Fund revenues and expenditures are expected to increase 5.4%.

#### Business – type Activities:

- User fees were put in place for collection of solid waste and storm water management in fiscal year 2010, and these funds were established as proprietary funds for the 2011 – 2012 fiscal year. The Town will carefully monitor the collection of fees to support the operations of the enterprise funds.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Davidson, PO Box 579, Davidson NC 28036. You may also visit our website at [www.townofdavidson.org](http://www.townofdavidson.org) or send an e-mail to [pswart@townofdavidson.org](mailto:pswart@townofdavidson.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Net Position*  
*June 30, 2018*

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Unrestricted cash and cash equivalents	\$ 13,680,635	\$ -	\$ 13,680,635
Taxes receivable	61,028	4,080	65,108
Due from other governments	831,708	-	831,708
Prepaid items	13,270	-	13,270
Internal balances	(649,203)	649,203	-
Notes receivable	49,895	-	49,895
Restricted cash and cash equivalents	131,146	-	131,146
Total current assets	<u>14,118,479</u>	<u>653,283</u>	<u>14,771,762</u>
Capital assets			
Land, non-depreciable improvements, and construction in progress	5,676,229	-	5,676,229
Other capital assets, net of depreciation	<u>13,833,537</u>	<u>-</u>	<u>13,833,537</u>
Total capital assets	<u>19,509,766</u>	<u>-</u>	<u>19,509,766</u>
Total assets	<u>33,628,245</u>	<u>653,283</u>	<u>34,281,528</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	337,146		337,146
Deferred outflows related to pensions - LEOSSA	41,497		41,497
Benefit payments and expenses - LEOSSA	32,784		32,784
Contributions to pension plan in current fiscal year	<u>244,850</u>	<u>-</u>	<u>244,850</u>
Total deferred outflows of resources	<u>656,277</u>	<u>-</u>	<u>656,277</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,141,094	-	1,141,094
Current portion of long-term liabilities	<u>968,648</u>	<u>-</u>	<u>968,648</u>
Total current liabilities	<u>2,109,742</u>	<u>-</u>	<u>2,109,742</u>
Long-term liabilities:			
Net pension liability	777,612		777,612
Total pension liability - Separation Allowance	462,566		462,566
Due in more than one year	<u>4,958,201</u>	<u>-</u>	<u>4,958,201</u>
Total liabilities	<u>8,308,121</u>	<u>-</u>	<u>8,308,121</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	7,971	-	7,971
Total deferred inflows of resources	<u>7,971</u>	<u>-</u>	<u>7,971</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,612,627	-	15,612,627
Restricted for:			
Stabilization by state statue	2,053,421	-	2,053,421
Streets - Powell Bill	31,924	-	31,924
Construction of fire station	99,222		99,222
Unrestricted	<u>8,171,236</u>	<u>653,283</u>	<u>8,824,519</u>
Total net position	<u>\$ 25,968,430</u>	<u>\$ 653,283</u>	<u>\$ 26,621,713</u>

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Statement of Activities For the Fiscal Year Ended June 30, 2018*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
<i>Governmental Activities:</i>				
Public safety	\$ 3,750,099	\$ 53,557	\$ 305,792	\$ 32,174
Economic and physical development	1,958,876	47,433	0	-
General government	1,724,821	9,980	84,936	-
Cultural and recreational	1,434,754	354,152	1,054,003	5,000
Transportation	2,839,845	-	332,212	0
Environmental protection	9,772	-	0	-
Interest on long-term debt	142,847	-	-	-
Total governmental activities	11,861,014	465,122	1,776,943	37,174
<i>Business-type activities:</i>				
Solid Waste Fund	720,272	787,493	-	-
Stormwater Fund	100,269	248,696	91,817	-
Total business-type activities	820,541	1,036,189	91,817	-
Total primary government	\$ 12,681,555	\$ 1,501,311	\$ 1,868,760	\$ 37,174
		General revenues:		
		Taxes		
		Property taxes levied for general purposes		
		Other taxes		
		Unrestricted investment earnings		
		Miscellaneous		
		Insurance recoveries		
		Gain on sale of assets		
		Total general revenues, not including transfers:		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning, previously reported		
		Net position, ending		

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

## Exhibit 2

<b>Net (Expense) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (3,358,576)	\$ -	\$ (3,358,576)
(1,911,443)	-	(1,911,443)
(1,629,905)	-	(1,629,905)
(21,599)	-	(21,599)
(2,507,633)	-	(2,507,633)
(9,772)	-	(9,772)
(142,847)	-	(142,847)
<u>(9,581,775)</u>	<u>-</u>	<u>(9,581,775)</u>
-	67,221	67,221
-	240,244	240,244
-	307,465	307,465
<u>\$ (9,581,775)</u>	<u>\$ 307,465</u>	<u>\$ (9,274,310)</u>
6,988,785	-	6,988,785
4,202,886	-	4,202,886
173,228	-	173,228
96,183	-	96,183
344,883	-	344,883
16,850	-	16,850
11,822,815	-	11,822,815
40,767	(40,767)	-
11,863,582	(40,767)	11,822,815
2,281,807	266,698	2,548,505
23,686,623	386,585	24,073,208
<u>\$ 25,968,430</u>	<u>\$ 653,283</u>	<u>\$ 26,621,713</u>



## TOWN OF DAVIDSON, NORTH CAROLINA

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2018*

	Major Funds			
	General Fund	MI Connection Capital Project Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,123,138	\$ 1,000,000	\$ 2,557,497	\$ 13,680,635
Restricted cash	31,924	-	99,222	131,146
Taxes receivable	61,028	-		61,028
Due from other governments	831,708			831,708
Prepaid items	13,270	-		13,270
Notes receivable	49,895			49,895
Total assets	\$ 11,110,963	\$ 1,000,000	\$ 2,656,719	\$ 14,767,682
LIABILITIES				
Accounts payable and accrued liabilities	1,141,094	-		1,141,094
Accounts payable to be paid from restricted cash	-			-
Due to other funds	649,203	-	-	649,203
Total liabilities	1,790,297	-	-	1,790,297
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	61,028	-	-	61,028
Total deferred inflows of resources	61,028	-	-	61,028
FUND BALANCES				
Restricted				
Stabilization by state statute	2,053,421	-	-	2,053,421
Streets - Powell Bill	31,924	-	-	31,924
Construction of fire station	-		99,222	99,222
Committed				
Specified purposes (Note V)	130,628	-	-	130,628
Special projects	-	1,000,000	2,557,497	3,557,497
Unspendable				
Prepaid items	13,270	-	-	13,270
Assigned				
Subsequent year's expenditures	14,100	-	-	14,100
Unassigned	7,016,295	-	-	7,016,295
Total fund balances	9,259,638	1,000,000	2,656,719	12,916,357
Total liabilities, deferred inflows of resources and fund balances	\$ 11,110,963	\$ 1,000,000	\$ 2,656,719	

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Reconciliation of Balance Sheet of  
Governmental Funds to the Statement of Net Position  
For the fiscal year ended June 30, 2018***

Total fund balances		\$ 12,916,357
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.		
Gross capital assets at historical cost	\$ 26,339,581	
Accumulated depreciation	<u>(6,829,815)</u>	19,509,766
Deferred outflows of resources related to pensions are not reported in the funds		656,277
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds statement. Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.		(7,167,027)
Liabilities for earned revenues considered deferred inflows of resources.		61,028
Deferred inflows of resources related to pensions are not reported in the funds		(7,971)
<b>Net position of governmental activities</b>		<u><u>\$ 25,968,430</u></u>

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Revenues, Expenditures and Changes in Fund Balance*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2018*

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	MI Connection Capital Project Fund		
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,017,530	\$ -	\$ -	\$ 7,017,530
Other taxes	192,135	-	-	192,135
Unrestricted intergovernmental	3,822,826	-	-	3,822,826
Restricted intergovernmental	682,684	-	-	682,684
Permits and fees	250,751	-	-	250,751
Sales and services	387,294	-	-	387,294
Investment earnings	173,228	-	-	173,228
Miscellaneous	173,117	-	1,053,713	1,226,830
Total revenues	12,699,565	-	1,053,713	13,753,278
<b>EXPENDITURES</b>				
Current:				
Public safety	4,352,571	-	1,171,477	5,524,048
Transportation	2,702,460	-	17,150	2,719,610
General government	1,649,853	-	-	1,649,853
Culture and recreation	1,512,113	-	21,688	1,533,801
Economic and physical development	755,990	1,000,000	437,224	2,193,214
Debt Service:				
Principal retirement	423,518	-	-	423,518
Interest and other charges	109,021	-	-	109,021
Total expenditures	11,505,526	1,000,000	1,647,539	14,153,065
Excess (deficiency) of revenues over expenditures	1,194,039	(1,000,000)	(593,826)	(399,787)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	479,241	-	-	479,241
Proceeds from insurance claims	344,883	-	-	344,883
Proceeds from disposal of assets	16,850	-	-	16,850
Transfers (to)/from other funds	(2,321,264)	1,000,000	1,321,264	-
Total other financing sources	(1,480,290)	1,000,000	1,321,264	840,974
Net change in fund balance	(286,251)	-	727,438	441,187
Fund balance, beginning	9,545,889	1,000,000	1,929,281	12,475,170
Fund balance, end of year	\$ 9,259,638	\$ 1,000,000	\$ 2,656,719	\$ 12,916,357

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Exhibit 4  
Continued**

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
to the Statement of Activities of Governmental Funds  
For the Fiscal Year Ended June 30, 2018***

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

Net changes in fund balances - total governmental funds	\$ 441,187
---	------------

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	2,811,013	
Contribution of land	(83,900)	
Contribution to Special Revenue Fund	(1,000)	
Depreciation expense for governmental assets	<u>(712,803)</u>	2,013,310
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		244,850
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		74,281

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(28,745)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(479,238)	
Principal payments on long-term debt	454,828	(24,410)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures.

Compensated absences	(82,264)	
MI Connection obligation	-	
Pension expense	(271,265)	
Net pension obligation	<u>(85,137)</u>	(438,665)
Total changes in net position of governmental activities		<u><u>\$2,281,807</u></u>

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*General Fund**Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2018*

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,769,726	\$ 6,769,726	\$ 7,017,530	\$ 247,804
Other taxes	371,126	186,200	192,135	5,935
Unrestricted intergovernmental	3,210,408	3,240,408	3,822,826	582,418
Restricted intergovernmental	624,167	815,631	682,684	(132,947)
Permits and fees	49,800	234,726	250,751	16,025
Sales and services	249,400	249,400	387,294	137,894
Investment earnings	30,000	30,000	173,228	143,228
Miscellaneous	78,700	201,159	173,117	(28,042)
Total revenues	11,383,327	11,727,250	12,699,565	972,315
<b>Expenditures:</b>				
Current:				
Public safety	3,537,588	4,952,337	4,352,571	599,766
Transportation	1,796,704	3,031,298	2,702,460	328,838
General government	1,725,420	2,737,930	1,649,853	1,088,077
Culture and recreation	1,546,536	2,203,084	1,512,113	690,971
Economic and physical development	837,489	886,900	755,990	130,910
Debt service:				
Principal retirement	423,518	423,518	423,518	-
Interest and other charges	109,022	109,022	109,021	1
Contingency	76,850	36,850	-	36,850
Total expenditures	10,053,127	14,380,939	11,505,526	2,875,413
Revenues over (under) expenditures	1,330,200	(2,653,689)	1,194,039	3,847,728
<b>Other financing sources (uses):</b>				
Proceeds from insurance claims	-	344,500	344,883	383
Proceeds from disposal of assets	10,000	25,000	16,850	(8,150)
Transfers to other funds	(1,340,200)	(1,340,200)	(2,321,264)	(981,064)
Total other financing sources (uses)	(1,330,200)	(491,212)	(1,480,290)	(989,078)
Fund balance appropriated	-	3,144,901	-	(3,144,901)
Net change in fund balance	\$ -	\$ -	(286,251)	\$ (286,251)
Fund balance, beginning			9,545,889	
Fund balance, end of year			\$ 9,259,638	

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Net Position*  
*Proprietary Funds*  
*June 30, 2018*

	<div>Major Fund</div> <div>Solid Waste</div>	<div>Proprietary Funds</div> <div>Non-Major Fund</div> <div>Stormwater</div>	<div>Total</div>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable, net	4,080	-	4,080
Due from other funds	331,949	317,254	649,203
Total current assets	336,029	317,254	653,283
Total assets	\$ 336,029	\$ 317,254	\$ 653,283
LIABILITIES			
Current liabilities:			
Accounts payable	-	-	-
Total current liabilities	\$ -	\$ -	\$ -
NET POSITION			
Unrestricted	336,029	317,254	653,283
Total net position	\$ 336,029	\$ 317,254	\$ 653,283

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2018*

	Proprietary Funds		
	Major Fund	Non-Major Fund	
	Solid Waste	Stormwater	Total
<b>OPERATING REVENUES</b>			
Solid waste management fee	\$ 787,493	\$ -	\$ 787,493
Stormwater management fee	-	248,696	248,696
Total operating revenues	<u>787,493</u>	<u>248,696</u>	<u>1,036,189</u>
<b>OPERATING EXPENSES</b>			
Operations	<u>720,272</u>	<u>100,269</u>	<u>820,541</u>
Total operating expenses	720,272	100,269	820,541
Income (loss) before contributions and transfers	<u>67,221</u>	<u>148,427</u>	<u>215,648</u>
Grant proceeds	-	91,817	91,817
Transfers to other funds	<u>-</u>	<u>(40,767)</u>	<u>(40,767)</u>
Change in net position	67,221	199,477	266,698
Total net position, beginning	<u>268,808</u>	<u>117,777</u>	<u>386,585</u>
Total net position, ending	<u><u>\$ 336,029</u></u>	<u><u>\$ 317,254</u></u>	<u><u>653,283</u></u>

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2018*

	Proprietary Funds		
	Major Fund	Non-Major Fund	Total
	Solid Waste	Stormwater	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 797,967	\$ 248,696	\$ 1,046,663
Cash paid for goods and services	(720,272)	(100,269)	(820,541)
Net cash provided (used) by operating activities	77,695	148,427	226,122
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Grant revenue	-	91,817	
Net due to (from) General Fund	(77,695)	(240,244)	(317,939)
Net increase (decrease) in cash and cash equivalents	-	-	-
Balances, beginning	-	-	-
Balances, ending	\$ -	\$ -	\$ -

	Proprietary Funds		
	Major Fund	Non-Major Fund	Total
	Solid Waste	Stormwater	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 67,221	\$ 148,427	\$ 215,648
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Change in assets and liabilities			
(Increase) decrease in accounts receivable	10,474	-	10,474
Increase (decrease) in accounts payable	-	-	-
Total adjustments	10,474	-	10,474
Net cash provided (used) by operating activities	\$ 77,695	\$ 148,427	\$ 226,122

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



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Davidson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

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

The Town of Davidson is a municipal corporation that is governed by an elected mayor and five commissioners. As required by generally accepted accounting principles, these financial statements present the Town which has no component units.

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

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

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

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

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

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

---

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town reports the following major governmental funds:

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

**MI Connection Capital Project Fund.** This fund is used to account for the operations of the Town's share of MI Connection.

The Town reports the following non-major governmental funds:

**Special Revenue Funds.** These funds are used to account for funds that are restricted for use for a particular purpose. The Town's two Special Revenue Funds: Affordable Housing Program, and Public Art Project.

**Capital Project Funds.** These funds are used to account for the construction, improvements and repairs for various projects within Town limits. The Town has five Capital Project Funds: Bradford Street Project, Fire Station Project, Potts-Sloan-Beaty Corridor Project, Parks/Greenway Project and Public Facilities Project.

The Town reports the following major enterprise fund:

**Solid Waste Fund.** This fund is used to account for the Town's solid waste operations.

The Town reports the following non-major enterprise fund:

**Storm-water Fund.** The fund is used to account for the Town's storm-water operations.

#### **C. Measurement Focus and Basis of Accounting**

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

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

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Funds and Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations within a fund by more than 10 percent of the function that is being reduced. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity**

###### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town 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 Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of 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.

###### **2. Cash and Cash Equivalents**

The Town 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.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)

##### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4.

The Town adopted a capital project ordinance for the planning and construction of a fire station and secured tax-exempt financing during the fiscal year ended June 30, 2018. The unspent loan proceeds are classified as restricted cash because it can be expended only for the construction of the fire station.

#### Town of Davidson Restricted Cash

##### Governmental Activities

##### General Fund

	Streets	\$ 31,924
Non-Major Funds		
	Unspent loan proceeds	<u>99,222</u>
	Total Restricted Cash	<u>\$ 131,146</u>

##### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, 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.

##### 5. 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. No allowance for doubtful accounts was required at June 30, 2018.

##### 6. Prepaid Items

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.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

##### **7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for the following: land, buildings, and improvements, infrastructure, furniture and equipment, computers and computer software, and vehicles. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation.

The Town has elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	40-75
Other improvements	15-75
Vehicles and motorized equipment	5-15
Equipment	3-10
Computers	3-5
Computer software	3-5

##### **8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town of Davidson has two items that meet this criterion - contributions made to the pension plan in the 2018 fiscal year and pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town of Davidson has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

##### **9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

###### **10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

###### **11. Net Position/Fund Balances**

###### **Net Position**

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

###### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

Non Spendable 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 Items – portion of fund balance that is not an available resource because it represents prepaid expenditures that are not in spendable form.

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)].

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

##### **11. Net Position/Fund Balances (Continued)**

##### **Restricted Fund Balance (continued)**

Restricted for Streets - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Davidson’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed pursuant to specified purposes – portion of fund balance that has been committed for specified purposes. See Note V.C.

Committed to Non-major funds – portion of fund balance that has been committed to special projects in non-major funds.

Committed to MI Connection – portion of fund balance that has been committed to fund MI Connection.

Assigned fund balance – portion of fund balance that Town of Davidson 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 manager to modify the appropriations by resource or appropriation within departments, not to exceed 10% of the appropriated monies in the departments.

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

The Finance Officer uses resources in the following hierarchy; bond proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed, in order, by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town of Davidson adopted a minimum fund balance policy for the general fund which instructs management to conduct business in such a manner that the unassigned fund balance should not be less than 35 percent of general fund expenditures in the following fiscal year.

***-Continued-***



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

###### **12. Pensions**

For purposes of measuring the net pension asset, 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 Town of Davidson's employer contributions are recognized when due and the Town of Davidson 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.

###### **13. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

###### **14. Total Governmental Fund Columns**

In the accompanying financial statements, the "Total Governmental Funds" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Inter-fund eliminations have not been made in the aggregation of this data. However, the reconciliations to net position are reflective of inter-fund eliminations and reflect financial position.

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

##### **A. Significant Violations of Finance-Related Legal and Contractual Provisions**

###### **1. Non-Compliance with North Carolina General Statutes**

None

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

None

##### **C. Excess of Expenditures over Appropriations**

None

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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

##### **A. Assets**

##### **1. Deposits**

All the deposits of the Town of Davidson are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

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

At June 30, 2018, the Town's deposits had a carrying amount of \$332,493 and a bank balance of \$521,113. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$1,000.

##### **2. Investments**

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

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 5,736,051	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level I	7,742,337	.09 years	Unrated
Total		\$13,478,388		

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.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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

*Interest Rate Risk:* The Town does not have a formal investment policy regarding interest rate risk. The Finance Director has authority to use the Government and the Term investment portfolios.

*Credit Risk:* The Town does not have a formal policy regarding credit risk, but has internal management procedures that limits the Town'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. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

#### **3. Note Receivable**

In 1999 the Town entered into an agreement to make loans of up to \$250,000 to a non-profit corporation which acquires homes for resale to low income families. Monthly interest payments are made to the Town with the principal due in full upon resale of the house. This agreement was amended in May 2010 to reduce the loans available from \$250,000 to \$50,000. The agreement provides for loans to be repaid in 1 to 4 years based on the nonprofit's projection of when the house will be sold. At June 30, 2018, the Town had one loan outstanding for \$49,895, with an annual interest rate of 2.51%. The loan is due in full on February 23, 2019.

#### **4. Lease Income**

In 1995, the Town entered into a 50-year lease agreement to lease a building to Mecklenburg County Public Library System for a base rent of an amount sufficient to amortize improvement costs, to be reduced to \$1 when fully amortized. Costs are fully amortized and base rent is \$1 per year. In addition the agreement calls for annual rental payments of \$1,500 for the duration of the contract.

In February 2008, the Town entered a lease agreement to lease a building to a local theatre group for a base rent of \$25,600 for the first year and scheduled increases to \$26,184 per year for the following four years and \$27,504 until the end of the lease in February 2018. The lease contains two options to extend for an additional five years each, with an increase of 5%. The tenant exercised the option to extend the lease for 5 years until the end of the lease in February 2023 with an increase in rent to \$28,879. Lease income received for the year ended June 30, 2018 was \$28,879.

In June 2015, the Town entered into a lease agreement to lease land to a local restaurant for a base rent of \$2,400 annually and adjusted annually for changes in the Consumer Price Index for all urban consumers, food and beverage average. The lease expires in June 2025. Lease income received during the fiscal year ended June 30, 2018 was \$2,400.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### III. Detail Notes on All Funds

#### A. Assets

#### 5. Capital Assets

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

	Beginning Balance	Increases	(Decreases) Transfers	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 4,285,963	\$ 52,677	\$ 84,900	\$ 4,253,740
Construction in Progress	1,366,151	1,029,092	972,754	1,422,489
Total capital assets not being depreciated	5,652,114	1,081,769	1,057,654	5,676,229
<b>Capital assets being depreciated:</b>				
Buildings	4,810,020	2,146,041	-	6,956,061
Other improvements	8,648,180	134,950	-	8,783,130
Equipment	1,528,669	6,629	-	1,535,298
Computers	40,284	-	-	40,284
Computer software	58,724	-	-	58,724
Vehicles and motorized equipment	3,303,221	414,377	427,743	3,289,855
Total capital assets being depreciated	18,389,098	2,701,997	427,743	20,663,352
<b>Less accumulated depreciation for:</b>				
Buildings	1,339,753	103,974	-	1,443,727
Other improvements	1,594,428	274,757	-	1,869,185
Equipment	786,384	79,424	-	865,808
Computers	31,301	11,745	-	43,046
Computer software	24,749	5,882	-	30,631
Vehicles and motorized equipment	2,768,140	237,021	427,743	2,577,418
Total accumulated depreciation	6,544,755	712,803	427,743	6,829,815
Total capital assets being depreciated, net	11,844,343			13,833,537
<b>Governmental activity capital assets, net</b>	<b>\$ 17,496,457</b>			<b>\$ 19,509,766</b>

General government	\$ 106,803
Public safety	167,490
Transportation	351,109
Economic and physical development	12,393
Culture and recreation	75,008
Total depreciation expense	<u>\$ 712,803</u>

-Continued-

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

#### **III. Detail Notes on All Funds (Continued)**

##### Construction Commitments

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

Project	Project Authorization	Actual		Total Spent-to-date	Remaining Commitment
		Prior Years	Current Year		
Potts Sloan Beaty	\$ 233,000	\$ 116,650	\$ 17,150	\$ 133,800	\$ 99,200
Fire Station	2,260,348	989,649	1,171,477	2,161,126	99,222
Public Facilities	1,466,000	210,583	334,514	545,097	920,903
Total	<u>\$ 3,959,348</u>	<u>\$ 1,316,882</u>	<u>\$ 1,523,141</u>	<u>\$ 2,840,023</u>	<u>\$ 1,119,325</u>

#### **B. Liabilities**

##### **1. Pension Plan Obligations**

##### **a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Davidson 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 Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Davidson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Davidson's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.59% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Davidson were \$244,850 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$777,612 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 asset was determined by an actuarial valuation as of December 31, 2016.

**-Continued-**

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### a. Local Governmental Employees' Retirement System (Continued)

The total pension liability was then rolled forward to the measurement date of June 30, 2017, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was .05090%, which was an increase of 0.00308% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$271,265. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 44,798	\$ 22,012
Changes of assumptions	111,054	-
Net difference between projected and actual earnings on pension plan investments	188,805	-
Changes in proportion and differences between Town of Davidson contributions and proportionate share of contributions	10,640	4,115
Town of Davidson contributions subsequent to the measurement date	244,850	-
Total	<u>\$ 600,147</u>	<u>\$ 26,127</u>

\$244,850 reported as deferred outflows of resources related to pensions resulting from Town of Davidson contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2019	\$ 46,446
2020	225,053
2021	114,888
2022	(57,217)
2023	-
Thereafter	-
	<u>\$ 329,170</u>

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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

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

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

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>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	100%	

**-Continued-**



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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

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

*Sensitivity of the Town of Davidson share of the net pension asset to changes in the discount rate.* The following presents the Town of Davidson's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Town of Davidson'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:

	<b><u>1% Decrease (6.20%)</u></b>	<b><u>Discount Rate (7.20%)</u></b>	<b><u>1% Increase (8.20%)</u></b>
Town's proportionate share of the net pension liability (asset)	\$ 2,334,406	\$ 777,612	\$ (521,821)

*Pension Plan fiduciary net position.* Detail 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.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **b. Law Enforcement Officers Special Separation Allowance**

##### **1. Plan Description**

The Town of Davidson administers a public employee retirement system (the “*Separation Allowance*”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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 increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12 D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

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

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

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

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

##### **3. 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:

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **b. Law Enforcement Officers Special Separation Allowance (Continued)**

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13 percent

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

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

##### **4. *Contributions.***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$32,604 as benefits came due for the reporting period.

##### **5. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the Town reported a total pension liability of \$462,566. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$43,822.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 24,911	\$ -
Changes of assumptions	22,958	6,372
Town benefit payments and plan administrative expense made subsequent to the measurement date	32,784	-
Total	<u>\$ 80,653</u>	<u>\$ 6,372</u>

**-Continued-**

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

\$32,604 paid as benefits came due and \$180 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2019	\$	8,404
2020		8,404
2021		8,404
2022		8,404
2023		7,881
Thereafter		-

*Sensitivity of the Town's total pension liability to changes in the discount rate.*

The following presents the Town's total pension liability calculated using the discount rate of 3.13%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current rate.

	<b>1% Decrease (2.13%)</b>	<b>Discount Rate (3.13%)</b>	<b>1% Increase (4.13%)</b>
Total pension liability	\$ 500,161	\$ 462,566	\$ 427,794

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

	<b>2018</b>	<b>2017</b>
<b>Beginning Balance</b>	\$ 402,234	\$ 410,433
Service Cost	20,341	19,557
Interest on the total pension liability	14,897	14,070
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	30,026	-
Changes of assumptions or other inputs	27,672	(9,222)
Benefit payments	(32,604)	(32,604)
Other changes	-	-
<b>Ending balance of the total pension liability</b>	<b>\$ 462,566</b>	<b>\$ 402,234</b>

*-Continued-*

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

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

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

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

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

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

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Pension Expense	\$ 271,265	\$ 43,822	\$ 315,087
Pension Liability	777,612	462,566	1,240,178
Proportionate share of the net pension liability	0.05090%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	44,798	24,911	69,709
Changes of Assumptions	111,054	22,958	134,012
Net difference between projected and actual earnings on plan investments	188,805	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,060	-	10,060
Benefit payments and administrative costs paid subsequent to the measurement date	244,850	32,784	277,634
Deferred Inflows of Resources			
Differences between expected and actual experience	22,012	-	22,012
Changes of Assumptions	-	6,372	6,372
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,115	-	4,115

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **d. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The State's CAFR includes financial statements and required supplementary information for the pension trust fund financial statements for the Internal Revenue Code 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 Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$101,350, which consisted of \$53,346 from the Town and \$48,004 from the law enforcement officers.

The Town has elected to contribute to the Supplemental Retirement Insurance Plan for non-law enforcement employees. Contributions for the year ended June 30, 2018 were \$228,527 which consisted of \$89,520 from the Town and \$139,007 from general employees.

##### **e. Firefighter's and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Davidson, to the Firefighter's 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 and rescue squad 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.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### III. Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### e. Firefighter's and Rescue Squad Workers' Pension Fund (continued)

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 and Rescue Squad Workers' 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 Firefighter's and Rescue Squad Workers' Pension Fund. 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.

##### f. Other Employment Benefits

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**2. Deferred Outflows and Inflows of Resources**

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

Source	Amount
<i>Local Government Employees Retirement Plan:</i>	
Contributions to pension plan in current fiscal year	\$ 244,850
Differences between expected and actual experience	44,798
Changes of assumptions	111,054
Net difference between projected and actual	188,805
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,060
<i>Law Enforcement Officers' Special Separation Allowance:</i>	
Benefit payments made and administrative expenses for LOESSA	32,784
Differences between expected and actual experience	24,911
Changes of assumptions	22,958
	\$ 680,220

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Property taxes receivable (General Fund)		61,028
<i>Local Government Employees Retirement Plan:</i>		
Differences between expected and actual experience	22,012	
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,115	
<i>Law Enforcement Officers' Special Separation Allowance:</i>		
Changes of assumptions	6,372	
	\$ 32,499	\$ 61,028

**-Continued-**



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### III. Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued)

##### 3. Risk Management

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

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

The Town of Davidson does not carry flood insurance, as they are not in a designated flood zone.

In accordance with G.S. 159-29, the Town's employees that have access to one hundred dollars (\$100) or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **4. Long-Term Obligations**

##### **a. Operating Lease**

1. In October 1997, the Town entered into a 25 year lease agreement for land and improvements referred to as the Beaver Dam Lease. The following is a schedule of minimum lease payments required under the lease:

Lease	
<u>Year Ending June 30,</u>	
2019	\$ 9,940
2020	9,940
2021	9,940
2022	9,940
2023	4,570
Total	<u>\$ 44,330</u>

Lease expense for the land and improvements was \$9,940 for the year ended June 30, 2018.

With respect to this same property and with the consent of the lessor, the Town entered into an operation and management agreement with a local organization. This agreement called for quarterly payments to the Town totaling \$10,000 per year, through December 31, 2012. The agreement was renewed and extended through the end of the lease in October 2023, with semi-annual payments of \$6,000. For the year ended June 30, 2018, \$12,000 in cash and in-kind services was received by the Town with respect to this agreement.

2. In January 2006, the Town entered into a lease agreement with Mecklenburg County for 34.34 acres of land to be used as a "joint venture" park with the County. The cost of the lease to the Town was \$1. The lease remains in effect until February 1, 2105.
3. Also in 2006, the Town entered into a lease agreement with Mecklenburg County for several parcels for land which will be purchased by the County to be used in the Davidson greenway system. The cost of the lease to the Town was \$1. The lease remains in effect until 2046.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### **III. Detail Notes on All Funds (Continued)**

#### **B. Liabilities (Continued)**

#### **4. Long-Term Obligations (Continued)**

##### **b. Installment Notes**

1. In November 2012, the Town refinanced the original December 2002 \$2,000,000 seller financed loan for the purchase of the Fisher Farm property. The debt was refinanced through a financial institution in the amount of \$1,237,882. The loan agreement requires 120 monthly payments of \$10,230, plus interest through December 30, 2022. The annual interest is 2.49%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$31,524 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 122,765	\$ 12,355
2020	122,765	9,298
2021	122,765	6,241
2022	122,765	3,184
2023	61,383	446
Total	<u>\$ 552,443</u>	<u>\$ 31,524</u>

2. In November 2012, the Town entered into a loan modification agreement to the original January 2008 loan with a bank. The original loan totaling \$625,000 was for the purchase of the Armour Street Theater building. The loan modification agreement amended the original agreement, including the payments and the interest rate. The modification agreement requires 31 semi-annual payments of \$15,625 plus interest through January 2028. The annual interest rate is 3.21%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$52,663 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 31,250	\$ 9,780
2020	31,250	8,777
2021	31,250	7,774
2022	31,250	6,771
2023	31,250	5,768
Thereafter	156,250	13,793
Total	<u>\$ 312,500</u>	<u>\$ 52,663</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

3. In November 2005, the Town obtained a \$1,614,000 loan from a bank to finance street construction. The loan agreement requires 30 semi-annual payments of \$53,800, plus interest through November 2020. The annual interest rate is 3.81%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$15,373 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 107,600	\$ 9,224
2020	107,600	5,124
2021	53,800	1,025
Total	<u>\$ 269,000</u>	<u>\$ 15,373</u>

4. In August 2012, the Town obtained a \$160,000 loan from a bank to purchase breathing apparatus equipment for the fire department. The loan agreement requires 14 semi-annual payments of \$12,264, including interest through August 2019. The annual interest rate is 1.91%.

Annual debt service payments of installment financing as of June 30, 2018, including \$692 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 23,952	\$ 576
2020	12,148	116
Total	<u>\$ 36,100</u>	<u>\$ 692</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

5. In September 2014, the Town obtained a \$55,194 loan from a bank to purchase a mini-excavator. The loan agreement requires 10 semi-annual payments of \$5,842, including interest through September 2020. The annual interest rate is 2.09%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$360 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 11,384	\$ 300
2020	5,781	60
Total	<u>\$ 17,165</u>	<u>\$ 360</u>

6. In January 2016, the Town obtained a \$114,474 loan from a bank to purchase a dump truck. The loan agreement requires 10 semi-annual payments of \$12,099, including interest through January 2021. The annual interest rate is 2.04%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$2,522 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 22,885	\$ 1,313
2020	23,355	844
2021	23,833	365
Total	<u>\$ 70,073</u>	<u>\$ 2,522</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

7. In September 2016, the Town obtained a \$222,629 loan from a bank to purchase a street sweeper. The loan agreement requires 7 annual payments of \$33,830, including interest through May 2023. The annual interest rate is 1.75%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$8,531 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 31,019	\$ 2,811
2020	31,562	2,268
2021	32,114	1,716
2022	32,676	1,154
2023	33,248	582
Total	<u>\$ 160,619</u>	<u>\$ 8,531</u>

8. In October 2016, the Town obtained a construction loan for \$2,000,000 through a local bank for the construction of a fire station. The loan agreement requires 2 payments of interest only beginning May 1, 2017 and 13 annual payments thereafter, including interest of 2.290%. At June 30, 2018, the Town had drawn down \$570,892 of the loan to pay for ongoing construction costs. The remaining amount of the unspent funds of \$1,429,235, which includes interest received on the funds, is available for ongoing construction costs of the fire station.

Annual debt service payments of the installment financing as of June 30, 2018, including \$320,852 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 153,000	\$ 45,800
2020	153,000	42,296
2021	154,000	38,793
2022	154,000	35,266
2023	154,000	31,739
Thereafter	1,232,000	126,958
Total	<u>\$ 2,000,000</u>	<u>\$ 320,852</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

9. In October 2017, the Town obtained a \$194,750 loan from a bank to purchase police and fire radios. The loan agreement requires 7 annual payments of \$30,328, including interest through October 2024. The annual interest rate is 2.23%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$17,569 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 26,178	\$ 4,150
2020	26,569	3,759
2021	27,162	3,167
2022	27,767	2,561
2023	28,387	1,942
Thereafter	58,687	1,990
Total	<u>\$ 194,750</u>	<u>\$ 17,569</u>

10. In March 2018, the Town obtained a \$284,488 loan from a bank to purchase a tanker apparatus for the fire department. The loan agreement requires 10 annual payments of \$33,066, including interest through January 2028. The annual interest rate is 3.16%.

Annual debt service payments of the installment financing as of June 30, 2018, including \$46,167 of interest are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 28,945	\$ 4,120
2020	24,991	8,075
2021	25,780	7,285
2022	26,595	6,471
2023	27,435	5,630
Thereafter	150,742	14,586
	<u>\$ 284,488</u>	<u>\$ 46,167</u>

**-Continued-**

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

#### 4. Long-Term Obligations (Continued)

#### c. Changes in Long-Term Liabilities

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental Activities:					
Installment notes	\$ 1,841,419	\$ 479,238	\$ 423,518	\$ 1,897,139	\$ 558,979
Fire Station #2	2,000,000	-	-	2,000,000	153,000
Due to other governments	1,804,351	-	31,310	1,773,041	-
Compensated absences	174,405	82,264	-	256,669	256,669
Net pension obligation (LGERS)	1,014,902	-	237,290	777,612	-
Net pension obligation (LEO)	402,234	92,936	32,604	462,566	-
Governmental Activity:					
Long-term liabilities	<u>\$ 7,237,311</u>	<u>\$ 654,438</u>	<u>\$ 724,722</u>	<u>\$ 7,167,027</u>	<u>\$ 968,648</u>

Compensated absences typically have been liquidated in the General Fund. Amounts due to Town of Mooresville (Due to other governments) will be repaid per the joint agency agreement, details of which are found in Note VII.

#### d. General Obligation Bonds

At June 30, 2018, the Town of Davidson had bonds authorized but unissued of \$15,000,000 and a legal debt margin of \$159,457,022.

### C. Inter-fund Balances and Activity

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

Due from the General Fund for its activity allocation to:

	Receivable	Payable
Stormwater Fund	\$ -	\$ 317,254
Solid WasteFund	-	331,949
Total	<u>\$ -</u>	<u>\$ 649,203</u>

*-Continued-*



**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

**C. Inter-fund Balances and Activity (Continued)**

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

**2. Transfers (to)/from other funds at June 30, 2018, consist of the following:**

From the General Fund to the Public Art Project Special Revenue Fund	\$ (40,200)
From the General Fund to the MI Connection Capital Project Fund	(1,000,000)
From the General Fund to the Parks/Greenway Capital Project Fund	(10,000)
From the General Fund to the Fire Station Capital Project Fund	(46,064)
From the General Fund to the Public Facilities Capital Project Fund	(1,225,000)
	<u><u>\$ (2,321,264)</u></u>

The Town makes transfers between funds in order to facilitate operations of the various funds.

**3. Net Investment in Capital Assets**

Capital Assets	\$ 19,509,766
Less: Installment notes	3,897,139
Net Investment in capital assets	<u><u>\$ 15,612,627</u></u>

**4. Fund Balance**

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

<i>Total fund balance-General Fund</i>	<i>\$ 9,259,638</i>
Less:	
Stabilization by state statute	2,053,421
Prepaid items	13,270
Construction of fire station	-
Streets - Powell Bill	31,924
Committed for Community Parks Reserve Funds	130,628
Appropriated Fund Balance in 2019 Budget	14,100
Unassigned	<u><u>\$ 7,016,295</u></u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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**III. Detail Notes on All Funds (Continued)**

C. Inter-fund Balances and Activity (Continued)

4. Fund Balance (Continued)

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

Encumbrances	General Fund	Proprietary Fund	Non-Major Funds
	\$ 1,171,818	\$ 162,622	\$ 50,000

**IV. Related Party Transactions**

A town employee leased a house located in a town park and was obligated to pay rent of \$350 per month beginning July 15, 2017 and ending January 1, 2018. The agreement was renewed for an additional three months and was vacant for the remainder of the fiscal year.

**V. Commitments**

- A. The Town entered into a contract with a local fire department for fire service and protection to an area within Town limits, within a five mile radius of the local fire station and more than five miles from the Town's fire department. The Town shall pay, on an annual basis, an amount equal to the approved district tax rate based upon the value of the property on March 1 that is located within the service area. As of June 30, 2017, the agreement converted to a month-to-month basis until the opening of Davidson's Fire Station #2 in June 2018.
- B. The Town had entered into a contract for solid waste and recycling collection with a company, which expired June 30, 2018. The Town entered into a new agreement with a separate contractor beginning July 1, 2018.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

#### **V. Commitments (Continued)**

- C. For the fiscal year ended June 30, 2018, the Town decided to set aside amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts are reported as Committed, in addition to the Special Projects, on the Balance Sheet (Exhibit 3). A summary of the specific purposes and amounts are as follows:

<u>Purpose</u>	<u>Amount</u>
Payment-in-Lieu - Traffic Calming	\$ 23,423
Payment-in-Lieu - Multi-use Path	53,400
Payment-in-Lieu - RPA Open Space	18,615
Stormwater Mitigation Fees	8,913
Parham Park from Developer	7,500
Police Department - Lost Elderly Search Training	5,000
Police Department - Officer Relief Fund Donation	13,777
	<u>\$ 130,628</u>

#### **VI. Inter-local Agreements**

- A. The Town has entered an inter-local agreement with two neighboring towns for industrial and business park development. The Town has agreed to reimburse the lead town for certain debt service payments. The Town has no ownership of the land nor are they a named party with respect to the financing associated with the land. Pursuant to this agreement, the Town was obligated for \$40,000 plus interest each year through 2019. For the year ended June 30, 2017, the Town paid \$170,536, which paid this obligation in full. The Town was also obligated for debt of \$600,000 plus interest of \$244,130 for infrastructure improvements to the park. For the year ended June 30, 2018, the Town paid \$49,800 with respect to this section of the agreement. In exchange for the Town's participation in the agreement, the Town will receive a percentage of the park tax revenues and proceeds from the sale of any property in the development. This inter-local agreement is in effect until 2045. Should the Town elect out of the agreement, they will be liable for their remaining share of the debt service. In addition, they will be liable for any unpaid operating expenses incurred or contracted for through the date of the withdrawal.
- B. The Town entered an inter-local agreement with two neighboring towns to fund a local non-profit, Visit Lake Norman, for the purpose of promoting the Lake Norman area. The agreement calls for funding in the amount equal to 28% of the occupancy tax collected from the preceding fiscal year and 25% of prepared food tax collected in the preceding fiscal year. This inter-local agreement is in effect until June 30, 2020, with automatic renewals of five years. For the year ended June 30, 2018, the Town paid \$117,030 with respect to this agreement.

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## **TOWN OF DAVIDSON, NORTH CAROLINA**

### ***Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018***

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#### **VI. Inter-local Agreements (Continued)**

- C. The Town entered another inter-local agreement with three neighboring towns to create a regional transportation commission. The towns agreed to share the cost of funding this commission. The commission terminated on June 30, 2018, but was re-formed in 2017 with the participants being Iredell County, Mooresville, Statesville and Davidson. For the year ended June 30, 2018, the Town paid \$10,315 with respect to this agreement.
- D. The Town has entered another inter-local agreement with neighboring towns to share cost with respect to a local park. The agreement can be terminated at the end of any fiscal year upon one month written notice. For the year ended June 30, 2018, the Town paid \$31,400 with respect to this agreement.
- E. In July 2011, the Town entered an inter-local agreement with the City of Charlotte for animal control services. This agreement is in effect for one year and shall automatically renew for four additional one-year periods. For the year ended June 30, 2018, the Town paid \$8,011 with respect to this agreement.
- F. The Town has entered into another inter-local agreement with Mecklenburg County to provide fire service and protection in the North Star fire district, which is the Town's extra territorial jurisdiction (ETJ). For the year ended June 30, 2018, Mecklenburg County paid the Town \$240,000 with respect to this agreement.

#### **VII. Joint Agency**

In August of 2007, the Town entered an asset purchase agreement with a local telecommunications company for the purchase of its assets. Pursuant to the agreement, the Town of Mooresville purchased the assets of the telecommunications company. The Towns of Mooresville and Davidson then entered a joint agency agreement pursuant to the General Statutes of North Carolina to form an organization to own, upgrade, manage and operate this telecommunications system. This agency formerly operated as MI Connection Communications System (MIC), but it rebranded itself during fiscal year ended June 30, 2018 and now operates as Continuum.

During the fiscal year ended June 30, 2008, the Town of Mooresville agreed to enter into an installment finance contract for \$80,000,000 on behalf of the parties and the joint agency to finance the acquisition of, improvement to and operation of the telecommunications system. During the year ended June 30, 2017, the Town of Mooresville refinanced this financing contract in order to obtain more favorable interest rates (from floating rates of 4% to 5% to floating rates from 2% to 5%). The financing contract agreement between Continuum and the Town of Mooresville was modified to mirror the new debt service requirements for the Town of Mooresville. The contract matures in September 2032.

During the year ended June 30, 2010, Mooresville entered into an additional installment financing contract of \$12,550,000 on behalf of MIC. During the year ended June 30, 2017, the Town of Mooresville entered into a rate modification agreement for the aforementioned installment financing contract to lower the applicable interest rate from 6.24% to 2.28%.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2018*

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#### **VII. Joint Agency (Continued)**

As a result of the modification, the financing contract between Continuum and the Town of Mooresville was modified to mirror the new debt service requirements for the Town of Mooresville. The contract matures in March 2023.

The audited financial statements of Continuum indicate that the agency incurred a change in net position of \$202,297 for the year ended June 30, 2018. The Agency has a deficit net position balance of \$6,143,865 as of June 30, 2018.

The parties acknowledge that to the extent that revenues and assets of the system are not adequate to pay operating costs of the system, the parties agree to the extent of their financial interest, to provide the joint agency funds necessary to operate the system. For the year ended June 30, 2018, the Town funded \$1,000,000 with respect to this clause. Effective June 30, 2012, the inter-local agreement was amended so that the financial interest of the Town is 30%. Under the amended agreement, the Town of Davidson shall contribute \$1,000,000 annually and to the extent that the annual contribution exceeds its financial interest, such excess shall be paid to the Town of Mooresville, until such a time that the Town of Mooresville has recovered its contributions in excess of its financial interest. As of June 30, 2018, the Town of Mooresville has contributed \$1,773,041 in excess of its financial interest, and per the agency agreement, this is an obligation of the Town of Davidson. The Continuum audit report has been issued and copies can be obtained from James Justice, Town Manager of the Town of Davidson.

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

##### Federal and State Assisted Programs

The Town has received proceeds from several State grants. Periodic audits of these grants are required and certain costs may be questioned as not 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 would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

##### Other

The Town is subject to the authority of various federal and state regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by the agencies.

##### Lawsuits

The Town may be subject to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any of these legal matters will not have a material effect on the Town's financial position.

TOWN OF DAVIDSON, NORTH CAROLINA

*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

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IX. **Date of Management's Review**

The Town of Davidson has evaluated all subsequent events through November 10, 2018, the date the financial statements were available to be issued.

### **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

<p>This section contains additional information required by generally accepted accounting principles.</p>
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- Town of Davidson's Proportionate Share of Net Pension Liability (Asset)
- Town of Davidson's Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Town of Davidson's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Five Fiscal Years\****

***Local Governmental Employees' Retirement System***

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town of Davidson's proportion of the net pension liability (asset) (%)	0.05090%	0.04782%	0.04382%	0.04000%	0.04%
Town of Davidson's proportion of the net pension liability (asset) (\$)	\$ 777,612	\$ 1,014,902	\$ 196,662	\$ (258,191)	\$ 491,797
Town of Davidson's covered payroll	\$ 2,616,841	\$ 2,540,221	\$ 2,313,254	\$ 2,287,848	\$ 2,157,964
Town of Davidson's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	29.72%	39.95%	8.50%	( 11.29%)	22.79%
Plan fiduciary net position as a percentage of the total pension liability**	94.16%	91.47%	98.09%	102.64%	94.35%

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

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

Note: Amounts for additional fiscal years up to ten years will be displayed as they become available.



**TOWN OF DAVIDSON, NORTH CAROLINA**

***Town of Davidson's Contributions  
Required Supplementary Information  
Last Five Fiscal Years***

***Local Governmental Employees' Retirement System***

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 244,850	\$ 215,592	\$ 176,144	\$ 171,010	\$ 167,198
Contributions in relation to the contractually required contribution	244,850	215,592	176,144	171,010	167,198
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Davidson's covered payroll	\$ 3,132,503	\$ 2,616,841	\$ 2,540,221	\$ 2,313,254	\$ 2,287,848
Contributions as a percentage of covered payroll	7.82%	8.24%	6.93%	7.39%	7.31%

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2018**

	<b>2018</b>	<b>2017</b>
<b>Beginning Balance</b>	<b>\$ 402,234</b>	<b>\$ 410,433</b>
Service Cost	20,341	19,557
Interest on the total pension liability	14,897	14,070
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	30,026	-
Changes of assumptions or other inputs	27,672	(9,222)
Benefit payments	(32,604)	(32,604)
Other changes	-	-
<b>Ending balance of the total pension liability</b>	<b>\$ 462,566</b>	<b>\$ 402,234</b>

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

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

	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 462,566	\$ 402,234
Covered payroll	1,046,719	842,962
Total pension liability as a percentage of covered employee payroll	44.19%	47.72%

Notes to the schedules:

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

## **SUPPLEMENTAL STATEMENTS**

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Statement 1**  
**Page 1 of 5**

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

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Ad valorem taxes	\$ 6,244,777	\$ 6,473,394	\$ 228,617
Ad valorem taxes - Motor vehicles	499,949	524,721	24,772
Penalties and interest	25,000	19,415	(5,585)
Total	6,769,726	7,017,530	247,804
Other taxes:			
Occupancy taxes	185,000	191,371	6,371
Vehicle rental tax	-	144	144
Animal taxes	1,200	620	(580)
Total	186,200	192,135	5,935
Unrestricted intergovernmental:			
Local option sales taxes	1,751,000	1,849,329	98,329
Payments in lieu of taxes	194,000	384,938	190,938
Telecommunications sales taxes	99,000	114,002	15,002
Utility and cable TV franchise taxes	804,615	1,003,879	199,264
Food and beverage tax	237,000	293,556	56,556
Beer and wine tax	54,793	55,964	1,171
Sales tax refund	-	-	-
ABC profit distribution	100,000	121,158	21,158
Total	3,240,408	3,822,826	582,418
Restricted intergovernmental:			
Solid waste disposal tax	9,167	(9,772)	(18,939)
Powell Bill allocation	325,000	332,212	7,212
Substance abuse	-	3,134	3,134
Contributions from Mecklenburg County Fire	240,000	240,000	-
Other grants	241,464	117,110	(124,354)
Total	815,631	682,684	(132,947)
Permits and fees:			
Motor vehicle fees	184,926	187,923	2,997
Zoning fees	23,500	32,433	8,933
Other permits	500	600	100
Business registration fee	800	880	80
First responder income	25,000	28,915	3,915
Total	234,726	250,751	16,025

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1*

*Page 2 of 5*

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

Sales and service:			
Rental income	7,200	6,600	(600)
Parking violations	20,000	24,642	4,642
Other facility revenue	48,200	38,852	(9,348)
Recreation program revenue	163,500	306,542	143,042
Recreation facility revenue	500	2,158	1,658
Cemetery revenue	10,000	8,500	(1,500)
Total	249,400	387,294	137,894
Investment earnings	30,000	173,228	143,228
Miscellaneous			
Donations - fire department	122,459	43,882	(78,577)
Donations - police	-	18,777	18,777
Donations - arts	-	-	-
Transit planning	15,000	15,000	-
Other	63,700	95,458	31,758
Total	201,159	173,117	(28,042)
Total revenues	11,727,250	12,699,565	972,315

**Expenditures:**

General government:

*Governing board:*

Salaries and employee benefits	37,831		
Contracted services	24,115		
Other operating expenditures	43,078		
Total	117,365	105,024	12,341

*Administration:*

Salaries and employee benefits	815,554		
Contracted services	137,553		
Capital outlay	-		
Other operating expenditures	215,990		
Total	1,262,279	1,169,097	93,182

*Legal:*

Salaries and employee benefits	110,926		
Contracted services	28,982		
Other operating expenditures	6,928		
Total	152,286	146,836	5,450

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1  
Page 3 of 5*

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<i>Public buildings:</i>			
Contracted services		28,225	
Capital outlay		52,577	
Other operating expenditures		148,094	
Total	1,206,000	228,896	977,104
Total general government	2,737,930	1,649,853	1,088,077
<i>Public safety:</i>			
<i>Police:</i>			
Salaries and employee benefits		1,637,441	
Contracted services		82,382	
Vehicle maintenance		33,442	
Other operating expenditures		173,514	
Capital outlay		239,674	
Total	2,423,201	2,166,453	256,748
<i>Fire:</i>			
Salaries and employee benefits		1,061,488	
Contracted services		103,470	
Vehicle maintenance		31,462	
Capital outlay		701,516	
Other operating expenditures		288,182	
Total	2,529,136	2,186,118	343,018
Total public safety	4,952,337	4,352,571	599,766
<i>Transportation:</i>			
<i>Streets and highways:</i>			
Salaries and employee benefits		391,266	
Vehicle maintenance		12,382	
Street lights		153,846	
Contracted services		192,114	
Other operating expenditures		227,354	
Capital Outlay		605,875	
Total	1,906,298	1,582,837	323,461
<i>Powell Bill - streets:</i>			
Street and sidewalk maintenance		1,119,623	
Contracted services		0	
Other operating expenditures		-	
Total	1,125,000	1,119,623	5,377
Total transportation	3,031,298	2,702,460	328,838

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1  
Page 4 of 5*

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
<i>Planning:</i>			
Salaries and employee benefits		420,662	
Contracted services		66,321	
Capital outlay		-	
Other operating expenditures		14,083	
Total	<u>612,000</u>	<u>501,066</u>	<u>110,934</u>
<i>Economic and community development:</i>			
Salaries and employee benefits		48,379	
Contracted services		45,097	
Other operating expenditures		111,448	
Total	<u>224,900</u>	<u>204,924</u>	<u>19,976</u>
<i>Contributions:</i>			
Other service agencies		50,000	
Total	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total economic and physical development	<u>886,900</u>	<u>755,990</u>	<u>130,910</u>
Cultural and recreation:			
<i>Travel and tourism:</i>			
Salaries and employee benefits		71,928	
Contracted services		135,592	
Capital outlay		-	
Other operating expenditures		154,435	
Total	<u>375,012</u>	<u>361,955</u>	<u>13,057</u>
<i>Recreation:</i>			
Salaries and employee benefits		232,463	
Contracted services		201,655	
Other operating expenditures		37,544	
Capital outlay		-	
Total	<u>487,041</u>	<u>471,662</u>	<u>15,379</u>



**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1  
Page 5 of 5*

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<i>Parks:</i>			
Salaries and employee benefits		269,934	
Contracted services		264,946	
Other operating expenditures		143,616	
Capital outlay		-	
Total	<u>1,341,031</u>	<u>678,496</u>	<u>662,535</u>
Total cultural and recreation	<u>2,203,084</u>	<u>1,512,113</u>	<u>690,971</u>
Debt service:			
Principal		423,518	
Interest and other charges		109,021	
Total debt service	<u>532,540</u>	<u>532,539</u>	<u>1</u>
Contingency	<u>36,850</u>		<u>36,850</u>
Total expenditures	<u>14,380,939</u>	<u>11,505,526</u>	<u>2,875,413</u>
Revenues over (under) expenditures	(2,653,689)	1,194,039	3,847,728
Other Financing Sources (Uses)			
Proceeds from debt	479,488	479,241	247
Proceeds from insurance claims	344,500	344,883	(383)
Proceeds from disposal of assets	25,000	16,850	(8,150)
Transfers to other funds	<u>(1,340,200)</u>	<u>(2,321,264)</u>	<u>981,064</u>
Total other financing sources (uses)	<u>(491,212)</u>	<u>(1,480,290)</u>	<u>972,779</u>
Fund balance appropriated	<u>3,144,901</u>	-	<u>3,144,901</u>
Net change in fund balance	<u>\$ -</u>	<u>(286,251)</u>	<u>\$ (286,251)</u>
Fund balance, beginning		<u>9,545,889</u>	
Fund balance, end of year		<u>\$ 9,259,638</u>	

## TOWN OF DAVIDSON, NORTH CAROLINA

## Statement 2

**Capital Project Fund – MI Connection**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Economic and physical development	6,500,000	5,000,000	968,690	5,968,690	531,310
Total expenditures	6,500,000	5,000,000	968,690	5,968,690	531,310
Revenues over (under) expenditures	(6,500,000)	(5,000,000)	(968,690)	(5,968,690)	531,310
<b>Other financing sources and uses</b>					
Transfers from General Fund	6,500,000	6,000,000	968,690	6,968,690	468,690
Total other financing sources	6,500,000	6,000,000	968,690	6,968,690	468,690
Net change in fund balance	\$ -	\$ 1,000,000	-	\$ 1,000,000	\$ 1,000,000
<b>Fund balances:</b>					
Fund balance, beginning of year			1,000,000		
Fund balance, end of year			\$ 1,000,000		

TOWN OF DAVIDSON, NORTH CAROLINA

Statement 3

*Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2018*

	<b>Special Revenue Funds</b>		<b>Capital Project Funds</b>					
	Affordable Housing Program	Public Art Project	Bradford Street Project	Fire Station Project	Potts-Sloan- Beaty Corridor Project	Parks/ Greenway Project	Public Facility Project	<b>Total Non-Major Governmental Funds</b>
<b>Assets</b>								
Cash	\$ 1,084,118	\$ 105,812	\$ -	\$ 99,222	\$ 99,200	\$ 147,407	\$ 1,120,960	\$ 2,656,719
Due from General Fund	-	-	-	-	-	-	-	-
 Total assets	<u>\$ 1,084,118</u>	<u>\$ 105,812</u>	<u>\$ -</u>	<u>\$ 99,222</u>	<u>\$ 99,200</u>	<u>\$ 147,407</u>	<u>\$ 1,120,960</u>	<u>\$ 2,656,719</u>
 <b>Liabilities and Fund Balances</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	-	-	-	-	-	-	-	-
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Fund balances:								
Committed for special projects	\$ 1,084,118	\$ 105,812	\$ -	\$ 99,222	\$ 99,200	\$ 147,407	\$ 1,120,960	\$ 2,656,719
Total fund balances	<u>\$ 1,084,118</u>	<u>\$ 105,812</u>	<u>\$ -</u>	<u>\$ 99,222</u>	<u>\$ 99,200</u>	<u>\$ 147,407</u>	<u>\$ 1,120,960</u>	<u>\$ 2,656,719</u>
 Total liabilities and fund balances	<u>\$ 1,084,118</u>	<u>\$ 105,812</u>	<u>\$ -</u>	<u>\$ 99,222</u>	<u>\$ 99,200</u>	<u>\$ 147,407</u>	<u>\$ 1,120,960</u>	<u>\$ 2,656,719</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 4*

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the fiscal year ended June 30, 2018***

	<b>Special Revenue Funds</b>		<b>Capital Project Funds</b>					<b>Total Non-Major Governmental Funds</b>
	Affordable Housing Program	Public Art Project	Bradford Street Project	Fire Station Project	Potts-Sloan- Beaty Corridor Project	Parks/ Greenway Project	Public Facility Project	
<b>Revenues</b>								
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,048,713	5,000	-	-	-	-	-	1,053,713
Total revenues	1,048,713	5,000	-	-	-	-	-	1,053,713
<b>Expenditures</b>								
Public safety	-	-	-	1,171,477	-	-	-	1,171,477
Transportation	-	-	-	-	17,150	-	-	17,150
Economic and physical development	102,710	-	-	-	-	-	334,514	437,224
Cultural and recreational	-	492	-	-	-	21,196	-	21,688
Total expenditures	102,710	492	-	1,171,477	17,150	21,196	334,514	1,647,539
Revenues over (under) expenditures	946,003	4,508	-	(1,171,477)	(17,150)	(21,196)	(334,514)	(593,826)
<b>Other Financing Sources (Uses)</b>								
Loan Proceeds				-				
Transfers from (to) General Fund	-	40,200	-	46,064	-	10,000	1,225,000	1,321,264
Net change in fund balance	946,003	44,708	-	(1,125,413)	(17,150)	(11,196)	890,486	727,438
<b>Fund balances:</b>								
Beginning of year	138,115	61,104	-	1,224,635	116,350	158,603	230,474	1,929,281
End of year	\$ 1,084,118	\$ 105,812	\$ -	\$ 99,222	\$ 99,200	\$ 147,407	\$ 1,120,960	\$ 2,656,719

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 5

***Special Revenue Fund – Affordable Housing Program  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2018***

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Contributions - restricted	\$ 172,000	\$ 274,010	\$ 1,047,988	\$ 1,321,998	\$ 1,149,998
Total revenues	172,000	274,010	1,047,988	1,321,998	1,149,998
<b>Expenditures</b>					
Economic and physical development	703,575	492,213	102,559	594,772	108,803
Total expenditures	703,575	492,213	102,559	594,772	108,803
Revenues over (under) expenditures	(531,575)	(218,203)	945,429	727,226	1,258,801
<b>Other financing sources and uses</b>					
Proceeds from sale of other asset	135,495	135,495	-	135,495	-
Transfers from (to) General Fund	301,227	296,142	-	296,142	(5,085)
Total other financing sources	436,722	431,637	-	431,637	(5,085)
Fund balance appropriated	94,853	-	-	-	(94,853)
Net change in fund balance	\$ -	\$ 213,434	945,429	\$ 1,158,863	\$ 1,158,863
Fund balances:					
Fund balance, beginning of year			235,189		
Fund balance, end of year			<u>\$ 1,180,618</u>		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 6

***Special Revenue Fund – Public Art Project***  
***Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual***  
***From Inception and For the Fiscal Year Ended June 30, 2018***

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Contributions - restricted	\$ 169,967	\$ 155,667	\$ 5,000	\$ 160,667	\$ (9,300)
<b>Expenditures</b>					
Cultural and recreational	236,630	226,216	492	226,708	9,922
Total expenditures	236,630	226,216	492	226,708	9,922
Revenues over (under) expenditures	(66,663)	(70,549)	4,508	(66,041)	622
<b>Other financing sources and uses</b>					
Transfers from General Fund	66,663	98,663	40,200	138,863	72,200
Total other financing sources	66,663	98,663	40,200	138,863	72,200
Net change in fund balance	\$ -	\$ 28,114	44,708	\$ 72,822	\$ 72,822
Fund balances:					
Fund balance, beginning of year			61,104		
Fund balance, end of year			\$ 105,812		

## TOWN OF DAVIDSON, NORTH CAROLINA

## Statement 7

**Capital Project Fund – Bradford Street**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Contributions	\$ 700,000	\$ 595,600	\$ -	\$ 595,600	\$ (104,400)
<b>Expenditures</b>					
Streets and highways	700,000	342,824	-	342,824	357,176
Total expenditures	700,000	342,824	-	342,824	357,176
Revenues over (under) expenditures	-	252,776	-	252,776	252,776
<b>Other financing sources and uses</b>					
Transfers from General Fund	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	\$ -	\$ 252,776	-	\$ 252,776	\$ 252,776
Fund balances:					
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

**Capital Project Fund – Fire Station**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Public safety	2,150,000	80,586	1,171,477	1,252,063	897,937
Total expenditures	2,150,000	80,586	1,171,477	1,252,063	897,937
Revenues over (under) expenditures	(2,150,000)	(80,586)	(1,171,477)	(1,252,063)	897,937
<b>Other financing sources and uses</b>					
Loan Proceeds	2,000,000	-	-	2,000,000	-
Transfers from General Fund	150,000	112,000	46,064	158,064	8,064
Total other financing sources	2,150,000	112,000	46,064	158,064	8,064
Net change in fund balance	\$ -	\$ 31,414	(1,125,413)	\$(1,093,999)	\$ 906,001
Fund balances:					
Fund balance, beginning of year			1,224,635		
Fund balance, end of year			\$ 99,222		



## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 9

**Capital Project Fund – Potts-Sloan-Beaty Corridor**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Streets and highways	233,000	116,650	17,150	133,800	99,200
Total expenditures	233,000	116,650	17,150	133,800	99,200
Revenues over (under) expenditures	(233,000)	(116,650)	(17,150)	(133,800)	99,200
<b>Other financing sources and uses</b>					
Transfers from General Fund	233,000	233,000	-	233,000	-
Total other financing sources	233,000	233,000	-	233,000	-
Net change in fund balance	\$ -	\$ 116,350	(17,150)	\$ 99,200	\$ 99,200
Fund balances:					
Fund balance, beginning of year			116,350		
Fund balance, end of year			\$ 99,200		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 10

**Capital Project Fund – Parks/Greenway**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Cultural and recreation	550,000	85,897	21,196	107,093	442,907
Total expenditures	550,000	85,897	21,196	107,093	442,907
Revenues over (under) expenditures	(550,000)	(85,897)	(21,196)	(107,093)	442,907
<b>Other financing sources and uses</b>					
Transfers from General Fund	550,000	244,500	10,000	254,500	(295,500)
Total other financing sources	550,000	244,500	10,000	254,500	(295,500)
Net change in fund balance	\$ -	\$ 158,603	(11,196)	\$ 147,407	\$ 147,407
Fund balances:					
Fund balance, beginning of year			158,603		
Fund balance, end of year			\$ 147,407		

**Capital Project Fund – Public Facilities**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Economic and physical development	241,000	-	334,514	334,514	(93,514)
Total expenditures	241,000	-	334,514	334,514	(93,514)
Revenues over (under) expenditures	(241,000)	-	(334,514)	(334,514)	93,514
<b>Other financing sources and uses</b>					
Transfers from General Fund	241,000	-	1,225,000	1,225,000	984,000
Total other financing sources	241,000	-	1,225,000	1,225,000	984,000
Net change in fund balance	\$ -	\$ -	890,486	\$ 890,486	\$ 1,077,514
Fund balances:					
Fund balance, beginning of year			230,474		
Fund balance, end of year			<u>\$ 1,120,960</u>		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 12

***Solid Waste Fund***  
***Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)***  
***For the Fiscal Year Ended June 30, 2018***

	Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
Solid waste management fee	\$ -	\$ 787,493	\$ -
Total revenue	<u>746,520</u>	<u>787,493</u>	<u>40,973</u>
<b>Expenditures</b>			
Administration:			
Administrative		<u>-</u>	
Solid waste operations:			
Contracted services		<u>720,272</u>	
Total	<u>746,520</u>	<u>720,272</u>	
Total expenditures	<u>746,520</u>	<u>720,272</u>	<u>26,248</u>
Revenues over (under) expenditures	<u>-</u>	<u>67,221</u>	<u>67,221</u>
<b>Other Financing Sources (Uses)</b>			
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 67,221</u>	<u>\$ 67,221</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		-	
Depreciation		-	
Principal retirement		-	
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ 67,221</u>	

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 13

*Storm-water Fund*  
*Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)*  
*For the Fiscal Year Ended June 30, 2018*

	Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
Stormwater management fee	\$ -	\$ 248,696	\$ -
Grants		91,817	
Total revenue	<u>309,817</u>	<u>340,513</u>	<u>30,696</u>
<b>Expenditures</b>			
Administration:			
Administrative		-	
Stormwater operations:			
Contracted services		107,206	
Total		<u>107,206</u>	
Total expenditures	<u>314,310</u>	<u>107,206</u>	<u>207,104</u>
Revenues over (under) expenditures	<u>(4,493)</u>	<u>233,307</u>	<u>237,800</u>
<b>Other Financing Sources (Uses)</b>			
Debt service	<u>33,830</u>	<u>(33,830)</u>	<u>-</u>
Appropriated fund balance	<u>38,323</u>	<u>-</u>	<u>(38,323)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 199,477</u>	<u>\$ 199,477</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		6,937	
Transfers to general fund		(40,767)	
Interest paid		3,344	
Principal retirement		30,486	
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ 199,477</u>	

## **OTHER SCHEDULES**

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This section contains additional information required on property taxes.

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Schedule 1*

***Schedule of Ad Valorem Taxes Receivable  
June 30, 2018***

	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017 - 2018	\$ -	\$ 6,976,245	\$ 6,964,097	\$ 12,148
2016 - 2017	20,526	-	12,442	8,084
2015 - 2016	11,326	-	5,861	5,465
2014 - 2015	10,173	-	3,819	6,354
2013 - 2014	10,160	-	5,691	4,469
2012 - 2013	9,162	-	2,702	6,460
2011 - 2012	5,916	-	2,054	3,862
2010 - 2011	8,552	-	1,698	6,854
2009 - 2010	5,484	-	1,628	3,856
2008 - 2009	4,052	-	574	3,478
2007 - 2008	4,423	-	4,423	-
	<u>\$ 89,774</u>	<u>\$ 6,976,245</u>	<u>\$ 7,004,991</u>	<u>\$ 61,028</u>

Reconciliation with revenues:

Ad Valorem Taxes - General Fund	\$ 7,017,530
Reconciling items:	
Interest collected	(19,415)
Statutory write off	4,423
Property valuation appeals refunds	2,453
Total collections and credits	<u>\$ 7,004,991</u>

## TOWN OF DAVIDSON, NORTH CAROLINA

## Schedule 2

*Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2018*

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,994,353,160	0.35	\$ 6,980,236	\$ 6,455,515	\$ 524,721
Discoveries	73,544,883	0.35	257,407	257,407	-
Releases	(74,685,274)	0.35	(261,398)	(261,398)	-
Total property valuation	<u>\$ 1,993,212,769</u>				
Net levy			6,976,245	6,451,524	524,721
Less, uncollected tax at June 30, 2018			<u>12,148</u>	<u>12,148</u>	<u>-</u>
Current year's taxes collected			<u>\$ 6,964,097</u>	<u>\$ 6,439,376</u>	<u>\$ 524,721</u>
Current levy collection percentage			<u>99.83%</u>	<u>99.81%</u>	<u>100.00%</u>



<b>COMPLIANCE SECTION</b>
---------------------------

**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 Board of Commissioners  
Town of Davidson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Davidson, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Davidson's basic financial statements, and have issued our report thereon dated November 10, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be 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 Town of Davidson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Rowell, Craven & Short, P.A.*

Rowell, Craven & Short, P.A.  
Charlotte, North Carolina  
November 10, 2018



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**Agenda**                      **Consider Approval of Draft November Meeting Minutes**  
**Title:**                      **Summary:** Draft Meeting Minutes from November 6, November 13, and November 27

**Summary:**

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**ATTACHMENTS:**

Description		Upload Date	Type
□	Draft Meeting Minutes 11-06-18	12/7/2018	Backup Material
□	Draft Meeting Minutes 11-13-18	12/7/2018	Backup Material
□	Draft Meeting Minutes 11-27-18	12/7/2018	Backup Material



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November 6, 2018

**FIRST TUESDAY WORK SESSION  
TOWN OF DAVIDSON BOARD OF COMMISSIONERS**

The Town of Davidson Board of Commissioners held its regularly scheduled meeting on Tuesday, November 6, 2018 at the Hurt Hub at Davidson College. Present were Mayor Rusty Knox and Commissioners Jane Campbell, Jim Fuller, Matthew Fort, Autumn Rierson Michael and David Sitton. Town Manager Jamie Justice, Assistant Town Manager Dawn Blobaum, Communications Director Cristina Shaul, Parks and Recreation Director Kathryn Spatz, Police Chief Penny Dunn, Public Works Director Doug Wright, Town Attorney Cindy Reid, and Town Clerk Betsy Shores were also present.

- **CALL TO ORDER**

Mayor Knox called the meeting to order at 6:03 p.m.

- **ANNOUNCEMENTS**

Communications Director Cristina Shaul announced the following:

The Town of Davidson kicked off the What's Next Davidson process to create a new comprehensive plan and the video was shared.

The grand opening Celebration for the new Plum Creek Park, near Bailey Springs, will be held on November 10th from 11:00 a.m. to 1:00 p.m. TreesDavidson needs volunteers to plant 70 trees that day (sign-up and there will be have activities for families and kids.

Town of Davidson ceremony to commemorate Veterans Day will be held on the Davidson Town Hall steps on Monday, November 12 at 11:00 a.m. The program will feature keynote speaker Robert Lutz, the Hough High School Wind Ensemble and Junior ROTC, and participation of many community members.

On Wednesday, November 28, there will be a meeting at 6:00 p.m. at the Davidson United Methodist Church Fellowship Hall on the expansion of the town's local historic district.

- **CHANGES TO THE AGENDA**

No changes to the agenda.

- **DISCUSSION**

(a) Public Works Director Doug Wright and Park at Beaty Task Force Officers Denise Beall and Dave Cable presented the second status report to the Board of Commissioners. They presented two conceptual plans for the park, none of which include commercial space. One plan shows a building for community uses and the other shows a restroom structure. The next steps are to finalize the conceptual plan. They will host one last public input session and present their recommendation to the Davidson Board of Commissioners at a future meeting.

(b) Assistant Town Manager Dawn Blobaum shared the costs to maintain the 251 South Street property from the time of purchase to the end of the 2019 fiscal year; \$17,000 for a six-month period. Commissioners would like to create a citizen committee to assist with managing the public input process on this project to determine if we will master plan the entire five acres or focus on renovating the school building.

(c) Each year, the Town of Davidson Board of Commissioners requests that the North Carolina Department of Transportation undertake the formal steps necessary to request street closures in order to conduct Christmas in Davidson (O2018-07) and the North Mecklenburg Christmas Parade (O2018-08) in accordance with § 20-169 (3).

***Commissioner Fort made a motion to approve Ordinance 2018-07 and Ordinance 2018-08. The motion passed unanimously (5-0).***

(d) Town Manager Jamie Justice presented the nominations for the 2019 Advisory Board Committees. Members of the nominating committee met on October 15 to review the applications and make recommendations. Commissioners will consider approval of the recommendations at the November 27 meeting.

(e) Communications Director Cristina Shaul gave a presentation on the 2019 Citizen Survey. About every two years, the Town of Davidson participates in the National Citizen Survey (NCS) to capture a data-based picture of our residents' needs and perspectives. This survey also allows us to ask Davidson-specific custom questions. Cristina requested the Board to weigh in on what questions and answers will help with their decision-making for the future. Commissioners will consider approval of custom questions at the December 4 meeting.

(f) Town Manager Jamie Justice presented the first draft of the 2019 Legislative Agenda. Commissioners provided feedback/changes to the draft. Commissioners will consider approval of the 2019 Legislative Agenda at the November 27 meeting.

(g) Town Manager Jamie Justice presented a draft 2019 meeting schedule. Currently, the Board meets the first, second, and fourth Tuesdays of the month. The Board agreed to meet the second Tuesday as a work session and the fourth Tuesday as a regular meeting and consider quarterly meetings on the first Tuesday of the month. Commissioners will consider approval of the 2019 Meeting Schedule at the December 11 meeting.

(h) Town Manager Justice and the Board of Commissioners reviewed upcoming agenda items.

- **ADJOURN**

***Commissioner Sitton made a motion to adjourn. The motion passed unanimously (5-0).***

The meeting adjourned at 9:00 p.m.

**Attest:**

\_\_\_\_\_  
Elizabeth K. Shores  
Town Clerk

\_\_\_\_\_  
Rusty Knox  
Mayor

DRAFT



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November 13, 2018

**SECOND TUESDAY WORK SESSION  
TOWN OF DAVIDSON BOARD OF COMMISSIONERS**

The Town of Davidson Board of Commissioners held its regularly scheduled meeting on Tuesday, November 13, 2018 in the Town Hall Board Room. Present were Mayor Rusty Knox and Commissioners Jane Campbell, Jim Fuller, Matthew Fort, Autumn Rierson Michael and David Sitton. Town Manager Jamie Justice, Assistant Town Manager Dawn Blobaum, Communications Director Cristina Shaul, Economic Development Manager Kim Fleming, Finance Director Pieter Swart, Fire Chief Bo Fitzgerald, Human Resources Manager Megan White, Planning Director Jason Burdette, Police Chief Penny Dunn, Public Works Director Doug Wright, Town Attorney Cindy Reid, and Town Clerk Betsy Shores were also present.

- **CALL TO ORDER**

Mayor Knox called the meeting to order at 6:00 p.m.

- **ANNOUNCEMENTS**

Thank you to everyone who came out to celebrate the grand opening of Plum Creek Park on Saturday and the Veterans Day Celebration on Monday.

The Park at Beaty Street Task Force is hosting a guided hike of the property on Friday, November 16 from 1:00 to 2:00 p.m. Hikers will meet in the cul-de-sac at 203 Hobbs Street.

The Jack Burney Community Service Award Ceremony will be held on Wednesday, November 21 at 10:00 a.m. and we will honor this year's recipient, Tony Abbott.

The next Board of Commissioners meeting on Tuesday, November 27 will begin at 5:30 p.m.

There is a community meeting on the potential expansion of the Davidson local historic district on Wednesday, November 28 at 6:00 p.m. at the Davidson United Methodist Church Fellowship Hall.

The What's Next Davidson survey is available on the website at [whatnextdavidson.com](http://whatnextdavidson.com) or via hard copy. The deadline is December 14. The community wide kick off meeting will be held on January 17, 2019.

Police Chief Penny Dunn announced the Blue Light Memorial Tree in honor of fallen officer Mark Swaney. The tree sits in front of town hall, is strung with blue lights, and will be lit beginning Thanksgiving Day.



- **CHANGES TO THE AGENDA**

No changes to the agenda.

- **DISCUSSION**

(a) Town Manager Jamie Justice, Finance Director Pieter Swart and Continuum Chief Executive Officer David Auger provided an annual update to the Board of Commissioners.

(b) Town Attorney Cindy Reid and Affordable Housing Steering Committee Member Ed Harris presented recommendations to the Board of Commissioners to encourage development of new, good homes for lower to moderate income households and preservation of existing homes.

(c) Planning Director Jason Burdette, Senior Planner Trey Akers and Planning Board Ordinance Committee Members Dave Cable, Ellen Donaldson, and Shawn Copeland provided recommended text amendments to the Davidson Planning Ordinance Section 9: Tree Preservation.

(d) Assistant Town Manager Dawn Blobaum provided an update on the 251 South Street Planning Process Options to include a citizen task force and master plan the site.

***Commissioner Campbell made a motion to master plan the entire site, carve out the IB School Building, and host three public input sessions between November and February.***

***After additional discussion, Commissioner Fuller made a motion to table the vote until the November 27 meeting. The motion passed unanimously (5-0).***

(e) Finance Director Pieter Swart provided an update on the 251 South Street Financing Bid Summary. Staff recommending moving forward with Sterling Bank (option 1) 20-year proposal at 3.89%, as this will better tie to the potential GO Bond referendum for renovations to the building.

***Commissioner Rierson Michael made a motion to accept the staff recommendation. The motion passed unanimously (5-0).***

(f) Police Chief Penny Dunn presented the final recommendations on changes to the Noise Ordinance. Commissioner Fort requested an edit to Article III, Section 30-73, (c) (8) "Typical and routine work to ready a golf course for play beginning at 5:30 a.m. during the months of April through September and at 6:30 a.m. during the months of October through March." to accommodate tee times and potential tournaments for River Run Country Club.

***Commissioner Fuller made a motion to accept the changes with the recommended edits to accommodate the golf course. The motion passed unanimously (5-0).***

***Commissioner Fuller made a motion to move to closed session. The motion passed unanimously (5-0).***

- **CLOSED SESSION – Consult with Attorney NCGS § 143-318.11 (a) (3) – Davidson Acquisition Company, et. al v. Town of Davidson, et. al.**

***Commissioner Campbell made a motion to end closed session and the meeting adjourn.  
The motion passed unanimously (5-0).***

The meeting adjourned at 11:23 p.m.

**Attest:**

\_\_\_\_\_  
Rusty Knox  
Mayor

\_\_\_\_\_  
Elizabeth K. Shores  
Town Clerk



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November 27, 2018

**REGULAR MEETING  
TOWN OF DAVIDSON BOARD OF COMMISSIONERS**

The Town of Davidson Board of Commissioners held its regularly scheduled meeting at 5:30 p.m. on Tuesday, November 27, 2018 at Davidson Town Hall. Present were Mayor Rusty Knox, Mayor, Commissioners Jane Campbell, Matthew Fort, Jim Fuller, Autumn Rierson Michael and David Sitton. Town Manager Jamie Justice, Assistant Town Manager Dawn Blobaum, Economic Development Manager Kim Fleming, Finance Director Pieter Swart, Fire Chief Bo Fitzgerald, Human Resources Director Megan White, Parks and Recreation Director Kathryn Spatz, Planning Director Jason Burdette, Police Chief Penny Dunn, Communications Director Cristina Shaul, Public Works Director Doug Wright, Town Attorney Cindy Reid and Town Clerk Betsy Shores were also present.

- **CALL TO ORDER**

Mayor Knox called the meeting to order at 5:34 p.m.

- **ANNOUNCEMENTS**

Communications Director Cristina Shaul shared the following announcements:

The Town will host a public meeting on the potential expansion of the local historic district on Wednesday, November 28 at 6:00 p.m. at the Davidson United Methodist Church fellowship hall.

The What's Next Davidson survey is available online at [www.whatnextdavidson.com](http://www.whatnextdavidson.com) or via hard copy. The deadline is December 14.

The Davidson Police Department shared a video on safety tips for the upcoming holiday season.

Christmas in Davidson takes place Thursday, Friday, and Saturday from 6:00 to 9:00 p.m. all over downtown. The North Mecklenburg Christmas Parade is Saturday, December 1 at 1:00 p.m.

Mayor Knox read a proclamation in memory of Nannie Potts and declared November 17, 2018 as Nannie Potts Day.

- **CHANGES TO THE AGENDA**

Town Manager Jamie Justice added a closed session to the end of the agenda - ***Consult with Attorney NCGS § 143-318.11 (a) (3) – Davidson Acquisition Company, et. al v. Town of Davidson, et. al.***

- **PUBLIC COMMENTS**

The public comments period opened at 5:42 p.m. and was closed at 5:51 p.m. Two (2) citizens spoke. The comments were summarized by Commissioner Campbell.

- **CONSENT AGENDA**

**Consider Approval of Draft Meeting Minutes from October 2, October 9, and October 23**

**Consider Approval of 2019 Design Review Board and Planning Board Chairs**

**Consider Approval of Resolution 2018-28 for 251 South Street Operating Costs**

**Consider Approval of Resolution 2018-29 & Budget Amendment 2019-14 Financing Terms for 251 South Street**

**Consider Approval of Resolution 2018-30 for purchase of 335 Sloan Street**

**Consider Approval of Budget Amendment 2019-15 for Duke Energy Grant**

***Commissioner Fort made a motion to approve. The motion passed unanimously (5-0).***

- **OLD BUSINESS**

(a) Town Manager Justice presented the 2019 Legislative Agenda. The North Carolina General Assembly convenes January 9, 2019 for its biennial (long) session. Commissioners recommended listing items into categories based on funding, municipal authority, and transportation.

***Commissioner Fuller made a motion to approve. The motion passed unanimously (5-0).***

(b) Assistant Town Manager Dawn Blobaum and Commissioners reviewed the 251 South Street Planning Options including public input sessions and a task force for master planning the site and building.

***Commissioner Rierson Michael made a motion to establish a task force for 251 South Street with the charge of doing a master plan of the property focused initially on the public facility uses and ancillary uses of the building with a deliverable by May. The motion passed unanimously (5-0).***

- **SUMMARIZE ACTIONS ITEMS**

Town Manager Justice stated there were no other action items other than what the board voted on during the meeting.

- **CLOSED SESSION**

***Commissioner Campbell made a motion to move to closed session pursuant to NCGS § 143-318.11 (a) (3) Consult with Attorney – Davidson Acquisition Company, et. al v. Town of Davidson, et. al. The motion passed unanimously (5-0).***

***Commissioner Campbell made a motion to end closed session and adjourn the meeting. The motion passed unanimously (5-0).***

- **ADJOURN**

The meeting adjourned at 7:10 p.m.

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Rusty Knox  
Mayor

**Attest:**

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Elizabeth K. Shores  
Town Clerk

DRAFT



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**Agenda      Consider Approval of 2019 Meeting Schedule**

**Title:**      **Summary:** At the November 6 work session, the Board of Commissioner reviewed the draft 2019 meeting schedule. The Board agreed to have meetings on the 2nd and 4th Tuesday of the month with a potential for a quarterly meeting on the 1st Tuesday of March, June, and September.

**Summary:**

---

**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
□ Draft 2019 Meeting Schedule 12-11-18	12/7/2018	Backup Material

<b>DRAFT - Board of Commissioners Meeting Schedule 2019</b>			
<b>Month</b>	<b>2nd Tuesday Session 6:00 P.M.</b>	<b>4th Tuesday Regular Meeting 6:00 P.M.</b>	<b>Quarterly Meetings</b>
January	8	22	
February	12	26	
March	12	26	5
April	9	23	
May	14	28	
June	11	25	4
July	9	23	
August	13	27	
September	10	24	3
October	8	22	
November	*12 (Regular Meeting)	No Meeting - Holiday	
December	*3 (Regular Meeting)	*10 (Ceremonial Meeting)	
<b>Additional Meetings</b>	<b>Retreat</b> Date: March 14-15 Location: Chapel Hill	<b>Civics 101</b> Date: Feb. 7- April 23 (Thurs) 9:30 a.m. - 11:30 a.m. 6:30 p.m. - 8:30 p.m. Town Hall - 216 S. Main	<b>Quarterly Meetings</b> <i>Format, Locations, &amp; Time TBD</i>
All Meetings are held at Davidson Town Hall, Meeting Room - 216 South Main St.			
2nd Tuesday of the month is a Work Session			
4th Tuesday of the month is a Regular Meeting with Public Comment			
* Alternate dates to accommodate holidays and meeting requirements			



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**Agenda Title: Consider Approval of Budget Amendment 2019-16 Affordable Housing Contribution to 335 Sloan Street and Budget Amendment 2019-17 Purchase of 335 Sloan Street**

**Summary:** On November 27, 2018, the Board approved the purchase of the property at 335 Sloan Street. Budget Amendment 2019-16 and 2019-17 allocate funds to proceed with the purchase.

**Summary:**

---

**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
□	Budget Amendment 2019-16 Affordable Housing Contribution to 335 Sloan Street	12/7/2018	Budget Amendment
□	Budget Amendment 2019-17 Purchase of 335 Sloan Street	1/7/2019	Budget Amendment



AMENDMENT TO THE BUDGET ORDINANCE

**BE IT ORDAINED** by the Governing Board of the Town of Davidson, North Carolina, that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2019:

**Section 1:** To amend the Affordable Housing Fund, the appropriations are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
52-40-4920-495	Land and Houses		\$ 130,000.00

Funds will be transferred to the General Fund to purchase property located at 335 Sloan Street.

**Section 2:** To amend the Affordable Housing Fund, the estimated revenues are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
52-40-3990-980	Fund Balance Appropriated		\$ 130,000.00

Funds will be transferred to the General Fund to purchase property located at 335 Sloan Street.

**Section 3:** Copies of this budget amendment shall be furnished to the Clerk of the Governing Board, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 11th day of December, 2018

AMENDMENT TO THE BUDGET ORDINANCE

**BE IT ORDAINED** by the Governing Board of the Town of Davidson, North Carolina, that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2019:

**Section 1:** To amend the General Fund, the appropriations are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
10-00-4190-580	C/O Building		\$ 130,000.00

The Town will purchase 335 Sloan Street

**Section 2:** To amend the General Fund, the estimated revenues are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
10-00-3833-855	Contribution from Affordable Housing		\$ 130,000.00

The Town will purchase of a 335 Sloan Street.

**Section 3:** Copies of this budget amendment shall be furnished to the Clerk of the Governing Board, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 11<sup>th</sup> day of December, 2018



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**Agenda Title: Consider Approval of NC Grant Requests for Police & Fire and Budget Amendment 2019-18**

**Summary:** In the 2018 State legislative short session, legislation was passed that included the town of Davidson receiving two grants - \$100,000 for police equipment and \$100,000 for fire equipment. Police Chief Penny Dunn, Fire Chief Bo Fitzgerald, and Finance Director Pieter Swart developed the attached proposed equipment requests that meet the grant funding criteria.

**Summary:**

---

**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
▣	Attachment - Davidson Police & Fire Grant Requests	12/4/2018	Backup Material
▣	Budget Amendment 2019-18 State of NC Grants for Police and Fire	12/7/2018	Budget Amendment

# Proposed State Grant Usage Police and Fire Department FY 2019

## DAVIDSON POLICE - STATE GRANT

<u>Item</u>	<u>Use</u>	<u>Estimated Cost</u>
Evidence drying cabinet/Crime Scene Equipment	Dry wet/damp evidence to prevent mold contamination. Vehicle secure crime scene equipment storage boxes	\$ 24,000
LPR/Radar/Message Board	Mobile LPR/Radar/Message Board	\$ 16,000
Street safety barriers	Portable safety barriers to stop vehicles from penetrating conventional barriers on streets closed for public safety purposes.	\$ 23,000
Polaris Ranger Vehicle	Multi-terrain vehicle for patrolling greenways, trails, and for quick mobility in crowded event response. Includes equipment and radio.	\$ 35,000
Emergency Response Trail Markers	To assist in Fisher Farm Emergency response	\$ 2,000
		<b>TOTAL</b> \$ 100,000

## DAVIDSON FIRE - STATE GRANT

<u>Item</u>	<u>Use</u>	<u>Estimated Cost</u>
4x4 Incident Response Vehicle	Auxiliary emergency response and 4x4 with towing and off road capability	\$ 50,000
Quick Response Vehicle (QRV) Enhancement	Emergency lights and trailer	\$ 4,200
Sterling FCX Escape System	Firefighter bail-out / escape system for turnout gear	\$ 30,000
Station Equipment	Work benches, tool storage, flammable liquids cabinets	\$ 5,700
EMT Van Refurbishment	Radio and Lighting Upgrade/DC EMT Program	\$ 10,100
		<b>TOTAL</b> \$ 100,000

AMENDMENT TO THE BUDGET ORDINANCE

**BE IT ORDAINED** by the Governing Board of the Town of Davidson, North Carolina, that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2019:

**Section 1:** To amend the General Fund, the appropriations are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
10-10-4310-510	Equipment-Police		\$ 100,000.00
10-10-4340-510	Equipment-Fire		\$ 100,000.00

The Town will purchase \$200,000 of equipment for the Police and Fire Departments, funded by a grant from the State of North Carolina.

**Section 2:** To amend the General Fund, the estimated revenues are to be changed as follows:

<u>Acct. No.</u>	<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
10-10-3431-315	Grants		\$ 200,000.00

The Town will receive a grant from the State of North Carolina to purchase \$200,000 of equipment for the Police and Fire Departments

**Section 3:** Copies of this budget amendment shall be furnished to the Clerk of the Governing Board, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 11<sup>th</sup> day of December, 2018



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**Agenda Title: Consider Approval of Affordable Housing Action Plan Items  
Town Attorney Cindy Reid**

**Summary:** At the November 13, 2018 Board of Commissioners meeting, the Board asked for follow up on several steering committee recommendations: the teaching house proposed by the Ada Jenkins Center, repairs and renovations to 4 homes owned and occupied by lower income households and the continuation of down payment assistance.

**Summary:**

---

**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
▣	Agenda Memo - Affordable Housing Action Plan Items 12-11-18	12/7/2018	Cover Memo



## Affordable Housing Recommendations

To: Davidson Board of Commissioners  
From: Cindy Reid, Town Attorney and Affordable Housing Steering Committee Member Ed Harris  
Date: December 11, 2018  
Re: Affordable Housing Recommendations

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### 1. OVERVIEW

At its November 13, 2018, meeting, the BOC asked for follow up on several steering committee recommendations: the teaching house proposed by the Ada Jenkins Center, repairs and renovations to 4 homes owned and occupied by lower income households and the continuation of down payment assistance.

### 2. RELATED TOWN GOALS

Strategic Plan: The Town of Davidson will preserve existing affordable housing,\* and other indicia of inclusion, and work with a variety of partners to create new available, affordable workforce and elderly housing.

\*Affordable housing for the Town of Davidson is defined as incomes between 50% and 120% AMI

Core Value: Davidson's historic mix of people in all income levels and ages is fundamental to our community, so town government will encourage opportunities, services, and infrastructure that allow people of all means to live and work here.

Serve: Households that earn less than 60% and up to 120% AMI.

### 3. OPTIONS/PROS & CONS

N/A

### 4. FYI or RECOMMENDED ACTION

Recommended action: approve use of PIL funds as continued down payment assistance. The teaching house is not asking for PIL funds, but the BOC will be asked to approve leasing the house to Ada. Because the repair estimates came in higher than anticipated and included renovations that were not part of the original scope, this item will be rescheduled for January to give staff a chance to meet with Habitat and others to try to reduce the costs.

## 5. NEXT STEPS

Cindy Reid will ask the BOC to approve renovations and repairs at a January board meeting. The BOC will have an in-depth discussion of land trusts at a March retreat. Cindy and Jamie are exploring local options for a land trust.





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**Agenda Title: What's Next Davidson Comprehensive Plan Update**  
**Planning Director Jason Burdette and Communications Director Cristina Shaul**

**Summary:** A comprehensive plan is the leading policy document and tool to help communities create a vision and guiding principles for decision-making for their town. The comprehensive plan's purpose is to directly inform decisions that we make as a community.

We have established two key groups to help with the What's Next? process:

- The Plan Advisory Group (a sounding board to guide the development of the plan); and,
- The Publicity & Outreach Committee (a group to help encourage participation in the process).

They have been very effective in developing the questions that need to be answered by the community at the "*Conversation on What's Next*" community-wide workshop on January 17 and outreach to encourage people to take the exploration survey and attend the workshop.

**Summary:**

---

**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
▣	Agenda Memo - What's Next Davidson Comp Plan Update 12-11-18	12/7/2018	Cover Memo
▣	Presentation - What's Next Davidson Comp Plan Update 12-11-18	12/11/2018	Presentation



## Comprehensive Plan Update

To: Davidson Board of Commissioners  
From: Planning Director Jason Burdette and Communications Director Cristina Shaul  
Date: December 11, 2018  
Re: Comprehensive Plan Update

---

### 1. OVERVIEW

A comprehensive plan is the leading policy document and tool to help communities create a vision and guiding principles for decision-making for their town. The comprehensive plan's purpose is to directly inform decisions that we make as a community.

We have established two key groups to help with the What's Next? process:

- The Plan Advisory Group (a sounding board to guide the development of the plan); and,
- The Publicity & Outreach Committee (a group to help encourage participation in the process),

They have been very effective in developing the questions that need to be answered by the community at the *"Conversation on What's Next"* community-wide workshop on January 17 and outreach to encourage people to take the exploration survey and attend the workshop.

We encourage all members of our community to participate in the following ways:

- Visit the project-specific website and complete our online survey on or by Friday, December 14 at [www.WhatsNextDavidson.com](http://www.WhatsNextDavidson.com),
- Sign up for our new What's Next? eCrier to receive news and information at [www.townofdavidson.org/eCrier](http://www.townofdavidson.org/eCrier) (type in your email and click the "What's Next?" list at the bottom), and
- Mark your calendar to attend the *"Conversation on What's Next"* workshop on January 17 from 6:30 to 8:30 p.m. in the Lilly Family Gallery in the Chambers Building at Davidson College.

Related documents:

PowerPoint Presentation

### 2. RELATED TOWN GOALS

- 2018-2019 Strategic Plan priority: "Land Use Strategy: Begin Comprehensive Plan process"

- 2010 Comprehensive Plan: “The Comprehensive Plan should be updated at least once every ten years.” (pg. 14)

### 3. OPTIONS/PROS & CONS

Not applicable.

### 4. FYI or RECOMMENDED ACTION

This is an information update. No action is required.

### 5. NEXT STEPS

Not applicable.



DAVIDSON Share Your Voice.  
Shape Our Future.

## Board of Commissioners Update

12.11.18

# Plan Update

1. **Providing** Overview of *What's Next?*
2. **Reporting** Public Engagement
3. **Communicating** Next Steps

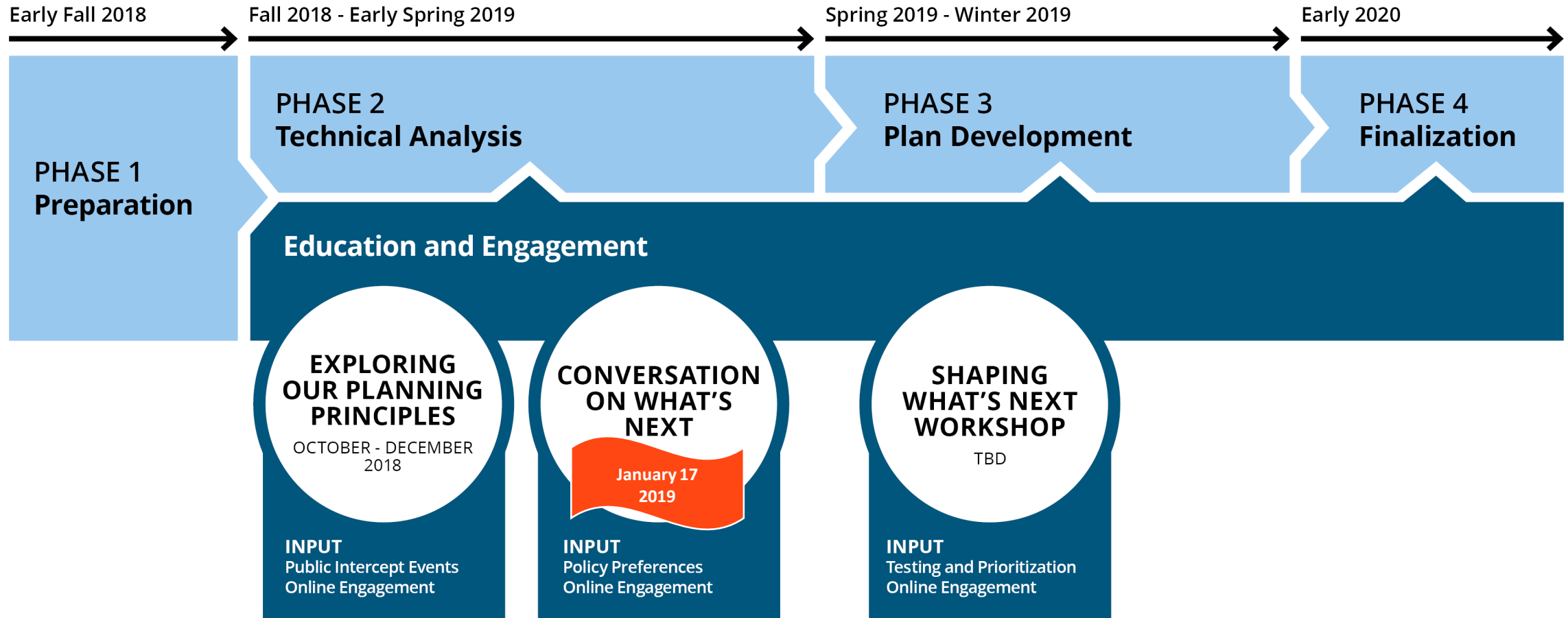


# What is a Comprehensive Plan?

*The highest level expression of a community's future...*

- 1. Blueprint** for the community's future
- 2. Compass** that guides decision-making
- 3. Playbook** for capital investments
- 4. Messaging tool** articulating the community's vision

# Project Timeline







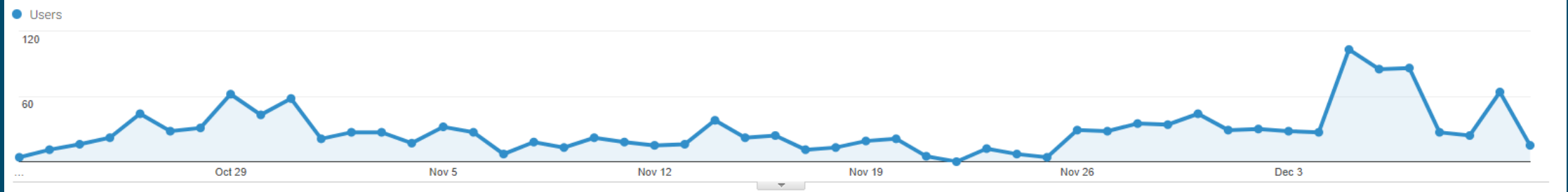
# Public Engagement



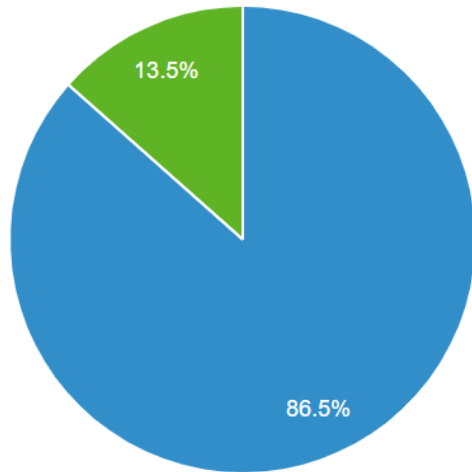
>>> 1,250+ Points of Contact



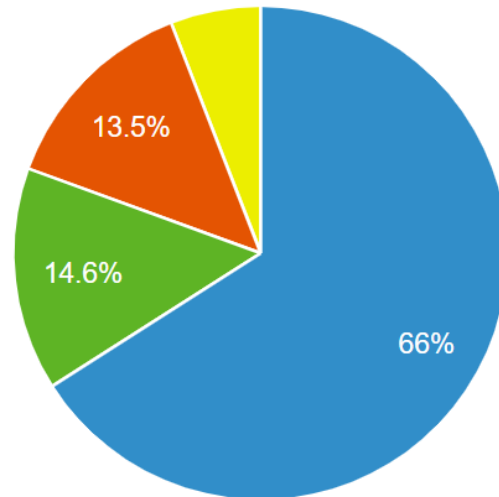
# Website/Survey



■ New Visitor ■ Returning Visitor



■ Direct  
■ Organic Search  
■ Social  
■ Referral



- **1,202 Web Users**
- **477 Surveys**
- **3.7% Response Rate (13,000 population)**



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# Help determine what's next for Davidson — share your voice today!

Get the conversation started

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**Survey Deadline  
12/14!**



# Conversation on *What's Next?* Workshop



## **Date:**

» January 17, 2019

## **Location:**

» Lilly Family Gallery

## **Purpose:**

- » Public Engagement Report
- » Community Snapshot Report
- » Facilitated Discussion of Report Results + Planning Principles



[www.WhatsNextDavidson.com](http://www.WhatsNextDavidson.com)



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**Agenda      Small Cell Wireless Facilities Ordinance**

**Title:        Town Attorney Cindy Reid and Public Works Director Doug Wright**

**Summary:** The General Assembly passed House Bill 310, “An Act to Reform Collocation of Small Wireless Communications Infrastructure to Aid Deployment of New Technologies” in June 2017, and it became effective in July 2017. The legislation significantly limits municipal authority regarding the siting of small cell installations and opens up the public right of way for installation of these facilities.

An overview of the both federal and state legislation as well as a very general description of how the town may regulate small cell wireless use of town ROW was presented at the December 4 meeting. The Municipal Code amendments will be presented at the December 11 meeting and the Board of Commissioners will be asked to approve the amendments at the January 8 meeting. Neither a planning board recommendation or public hearing are required for amendments to the Municipal Code.

**Summary:**

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**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
□ Agenda Memo - Small Wireless Facilities Ordinance and Aesthetic Guidelines 12-11-18	12/7/2018	Cover Memo
□ DRAFT Small Wireless Facilities Ordinance and Aesthetic Guidelines 12-11-18	12/7/2018	Ordinance
□ Attachment - Street light with small cell attachments in Huntersville	12/7/2018	Backup Material
□ Attachment - small cell wireless structure and street light in Huntersville	12/7/2018	Backup Material
□ Attachment - Duke Joint Use Pole	12/7/2018	Backup Material
□ Presentation - Small Cell Wireless Facilities 12-11-18	12/11/2018	Presentation





## Small Cell Wireless Facilities Ordinance and Aesthetic Guidelines

To: Davidson Board of Commissioners  
From: Cindy Reid, Town Attorney  
Date: December 11, 2018  
Re: Small Cell Wireless Facilities Ordinance and Aesthetic Guidelines

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### 1. OVERVIEW

The General Assembly passed House Bill 310, “An Act to Reform Collocation of Small Wireless Communications Infrastructure to Aid Deployment of New Technologies” in June 2017, and it became effective in July 2017. The legislation significantly limits municipal authority regarding the siting of small cell installations and opens up the public right of way for installation of these facilities. Although the legislation is restrictive, the Town may still adopt and enforce reasonable design guidelines, spacing and safety requirements, additional protections for rights of way in the historic district, and requirements that the providers collocate on existing poles rather than install new poles.

In addition to the NC legislation, the Federal Communication Commission’s (FCC) 5G Small Cell Declaratory Ruling and Third Report and Order (“Order”) was published in the Federal Register on Monday, October 15, 2018, and will become effective on January 14, 2019. The Order imposes nationwide restrictions on local government authority to regulate small cell wireless deployment and requires adoption of aesthetic guidelines prior to January 13, 2019.

Because most of the small cell facilities will now be located in town or NCDOT ROW, a new Article (also referred to as ordinance) should be added to Chapter 66 the Municipal Code followed by amendments to Planning Ordinance. The new regulations will permit small cell facilities to be located in the public right of way but will require that small cell antenna be “stealth” or and that associated equipment boxes blend in with the natural surroundings to lessen their visual impact. The amendments will include height limits that are the most restrictive permitted by the legislation. Installation of new poles will be prohibited in areas where other utilities are required to be underground. Utility poles may only be modified or replaced to accommodate the small cell facilities. A new utility pole will require a variance due to the Town’s undergrounding requirement for new utilities.

### 2. RELATED TOWN GOALS

The goal is to comply with state statutes and FCC orders.

### **3. OPTIONS/PROS & CONS**

No options. If the Town does not adopt an ordinance incorporating HB 310, the General statutes control and supersede local ordinances that contradict state statute.

### **4. FYI or RECOMMENDED ACTION**

Recommended action is adoption of the new ordinance on January 8, 2019.

### **5. NEXT STEPS**

December 11, 2018 - explanation of ordinance

December 11 - December 31, 2018- Wireless FAQ on town website

January 8, 2019- Board of Commissioners vote to approve new ordinance



**Small Wireless Facilities Ordinance and Aesthetic Guidelines**

**1. Purpose**

The purpose of this Chapter is to:

- a. Minimize the impacts of small wireless facilities on surrounding areas by establishing standards for location, structural integrity and compatibility;
- b. Encourage the location and collocation of small wireless facilities equipment on existing structures thereby minimizing new visual, aesthetic, and public safety impacts, and to reduce the need for additional antenna-supporting structures;
- c. Encourage coordination between suppliers of small wireless facilities in the Town of Davidson and its planning jurisdiction;
- d. Regulate in accordance with all applicable federal and state laws;
- e. Establish review procedures to ensure that applications for small wireless facilities are reviewed and acted upon within a reasonable period of time or any specific period of time required by law;
- f. Protect the unique aesthetics of the Town while meeting the needs of its citizens and businesses to enjoy the benefits of wireless communications services; and
- g. Encourage the use of existing buildings and structures as locations for small wireless facilities infrastructure as a method to minimize the aesthetic impact of related infrastructure.

It is not the purpose or intent of this Chapter to prohibit, or have the effect of prohibiting, wireless communications services; unreasonably discriminate among providers of functionally equivalent wireless communication services; regulate the placement, construction or modification of wireless communications facilities on the basis of the environmental effects of radio frequency emissions where it is demonstrated that the small wireless facility does or will comply with applicable FCC regulations; or prohibit or effectively prohibit collocations or modification that the Town must approve under state or federal law. The provisions of this Chapter are in addition to, and do not replace, any obligations an applicant may have under any franchises, licenses, encroachments, or other permits issued by the Town.

**2. Applicability and Exemptions**

Except as provided below, the requirements of this Chapter shall apply to qualifying small wireless facilities, qualifying utility poles, qualifying city/town utility poles, substantial modifications and new wireless support structures as defined herein. Nothing in this ordinance shall be interpreted to excuse compliance with, or to be in lieu of, any other requirement of state or local law, except as specifically

provided herein. Without limitation, the provisions of this ordinance do not permit placement of small wireless facilities on privately-owned utility poles, or wireless support structures, or on private property, without the consent of the property owner or any person who has an interest in the property.

The following are exempt from the provisions of this Chapter but must comply with any other provisions contained in Town of Davidson Municipal Code and Planning Ordinance:

- a. Radio transmission facilities which are owned and operated by an amateur radio operator licensed by the Federal Communications Commission and used exclusively for amateur radio operation.
- b. Over the air reception device covered under 47 C.F.R. § 1.4000, so long as it satisfies the requirements of the Davidson Planning Ordinance (DPO).
- c. Routine maintenance of small wireless facilities; the replacement of small wireless facilities with small wireless facilities that are the same size or smaller; or installation, placement, maintenance, or replacement of micro wireless facilities (as defined in G.S. Chapter 160A, Part 3E) that are suspended on cables strung between existing utility poles or city utility poles in compliance with all applicable laws of regulations by or for a communications service provider authorized to occupy the Town rights-of-way and who is remitting taxes under G.S. 106-64.4(a)(4c) or (a)(6).
- d. A temporary small wireless facility, upon the declaration of a state of emergency by federal, state, or local government, and a written determination of public necessity by the Town of Davidson; except that such facility must comply with all federal and state requirements and must be removed at the conclusion of the emergency.
- e. Public safety facilities or installations required for public safety on public or private property, including transmitters, repeaters, and remote cameras so long as the facilities are designed to match the supporting structure.
- f. A small wireless facility located in an interior structure or upon the site of any stadium or athletic facility, provided that the small wireless facility complies with applicable codes.

### **3. Definitions**

The following terms shall be defined as follows:

**ABANDONED** means any small cell facilities or wireless support structures that are unused for a period of one hundred eighty (180) days without the operator notifying the Town and receiving the Town's approval.

**ANTENNA** means communications equipment that transmits or receives electromagnetic radio frequency signals used in the provision of wireless services.

**APPLICABLE CODES** means the North Carolina State Building Code and any other uniform building, fire, electrical, plumbing, or mechanical codes adopted by a recognized national code organization together with state or local amendments for those codes.

**APPLICANT** means any person who submits an application and is a wireless provider.

**APPLICATION** means a request submitted by an applicant (1) for a permit to collocate small wireless facilities; or (2) approve the installation or modification of a utility pole, city/town utility pole, or wireless support structure.

**BASE STATION** means a station at a specific site authorized to communicate with mobile stations, generally consisting of radio receivers, antennas, coaxial cables, power supplies, and other associated electronics.

**CITY/TOWN** refers to the Town of Davidson.

**CITY/TOWN UTILITY POLE** means a utility pole owned by the City/Town in the right of way, including a utility pole that provides lighting or traffic control functions, including, light poles, traffic signals, and structures for signs.

**CODE** means the Town of Davidson Municipal Code.

**COLLOCATION** means the placement, installation, maintenance, modification, operation, or replacement of wireless facilities on, under, within, or on the surface of the earth adjacent to existing structures, including utility poles, city/town utility poles, water towers, buildings, and other structures capable of structurally supporting the attachment of wireless facilities in compliance with applicable codes. The term “collocate” does not include the installation of new utility poles, city/town utility poles, or wireless support structures. “Collocate” as a corresponding meaning.

**CONCEALED (STEALTH) WIRELESS FACILITY, WIRELESS SUPPORT STRUCTURE, or ANTENNA** means any telecommunications facility, wireless support structure, or antenna that is integrated as an architectural feature of a structure or that is designed to camouflage or conceal the presence of the telecommunications facility, wireless support structure, or antenna so that the purpose of the telecommunications facility, wireless support structure, or antenna is not readily apparent to a casual observer.

**CONCEALMENT ELEMENT** means any design feature, including but not limited to painting, shielding requirements, shrouds, and restrictions on location or height in relation to the surrounding area that are intended to make a telecommunications facility less visible to the casual observer. The design elements of a concealed (stealth) telecommunications facility are concealment elements.

**ELIGIBLE FACILITIES REQUEST** means any request for modification of an existing wireless support structure or base station that involves collocation of new transmission equipment or replacement of transmission equipment but does not include a substantial modification.

OPERATOR means a wireless server provider that operates a small cell facility and provides wireless service.

QUALIFYING CITY/TOWN UTILITY POLE means a modified or replacement city/town utility pole that does not exceed fifty (50) feet above ground level and that is associated with a new small wireless facility that does not extend more than ten (10) feet above such city/town utility pole.

QUALIFYING SMALL WIRELESS FACILITY means a new small wireless facility that does not extend more than ten (10) feet above the utility pole, city utility pole, or wireless support structure on which it is collocated and is located either (i) in the town right-of-way or (ii) outside of town right-of-way on property other than single family residential property.

QUALIFYING UTILITY POLE means a modified or replacement utility pole that does not exceed fifty (50) feet above ground level and that is associated with a new small wireless facility that does not extend more than ten (10) feet above such utility pole.

SHROUD means a box or other container that contains, and is designed to camouflage or conceal the presence of, a telecommunications facility, antenna, or accessory equipment.

SMALL WIRELESS FACILITY means a wireless facility that meets both of the following qualifications: (1) each antenna is located inside an enclosure of no more than six cubic feet in volume or, in the case of an antenna that has exposed elements, the antenna and all of its exposed elements could fit within an imaginary enclosure of no more than six cubic feet; and (2) all other wireless equipment associated with the facility is cumulative no more than 28 cubic feet in volume. The following types of associated ancillary equipment are not included in the calculation of equipment volume: electric meter, concealment elements, telecommunications demarcation box, ground-based enclosures, grounding equipment, power transfer switch, cut-off switch, and vertical cable runs for the connection of power and other services.

SUBSTANTIAL MODIFICATION means the mounting of a proposed wireless facility on a wireless support structure that substantially changes the physical dimensions of the support structure. A mounting is presumed to be a substantial modification if it meets any one or more of the criteria listed below

(i). Increasing the existing vertical height of the structure by the greater of (i) more than ten percent (10%) or (ii) the height of one additional antenna array with separation from the nearest existing antenna not to exceed 20 feet, (iii) Except where necessary to shelter the antenna from inclement weather or to connect the antenna to the tower via cable, adding an appurtenance to the body of a wireless support structure that protrudes horizontally from the edge of the wireless support structure the greater of (i) more than 20 feet or (ii) more than the width of the wireless support structure at the level of the appurtenance, (iv) Increasing the square footage of the existing equipment compound by more than 2,500 square feet.

UTILITY POLE means a structure that is designed for and used to carry lines, cables, wires, lighting facilities or small wireless facilities for telephone, cable television, or electricity, or to provide lighting or wireless services.

WIRELESS FACILITY means equipment at a fixed location that enables wireless communications between user equipment and a communications network, including (i) equipment associated with wireless communications and (ii) radio transceivers, antennas, wires, coaxial or fiber-optic cable, regular and backup power supplies, and comparable equipment, regardless of technological configuration. The term shall not include any of the following: (i) The structure or improvements on, under, within, or adjacent to which the equipment is collocated. (ii) Wireless backhaul facilities. (iii) Coaxial or fiber optic cable that is between wireless structures or utility poles or town utility poles or that is otherwise not immediately adjacent to or directly associated with a particular antenna. The term includes small wireless facilities.

WIRELESS SERVICE PROVIDER means a person who provides wireless services.

WIRELESS SUPPORT STRUCTURE means a new or existing structure, such as a freestanding pole, lattice tower, or guyed tower that is designed to support or capable of supporting wireless facilities. A utility pole or city utility pole is not a wireless support structure.

#### **4. General Application Requirements for ALL Facilities Regulated under this Section**

- a. Permit Required. No person shall place a small wireless facility in the rights of way, without first filing a small wireless facility application and obtaining a permit therefore, except as otherwise provided in this Chapter.
- b. Permit Application. A small wireless facility application filed pursuant to this Chapter shall be on a form, paper or electronic, provided by the Town.
- c. Application Requirements. The small wireless facility permit application shall be made by the wireless provider or its duly authorized representative and shall contain the following:
  1. The applicant's name, address, telephone number, and e-mail address;
  2. The names, addresses, telephone numbers, and e-mail addresses of all consultants, if any, acting on behalf of the applicant with respect to the filing of the application, including proof that the consultant has appropriate authority to act on the owner's behalf.
  3. A description of the proposed work and the purposes and intent of the small wireless facility including a statement as to all the potential visual and aesthetic impacts of the proposed facility on all adjacent areas and a compliance letter from the State Historic Office (SHPO), if applicable.

4. A site plan, with sufficient detail to show the proposed location of items the applicant seeks to install in the right of way, including any manholes or poles, the size, type, and depth of any conduit or enclosure.
  5. An attestation that the small wireless facility shall comply with all applicable codes, approved plans, and conditions of approval.
  6. An attestation that the small wireless facilities will be collocated on the utility pole, city/town utility pole or wireless support structure and that the small wireless facilities will be activated by use by a wireless services provider to provide service no later than one year from the permit issuance date, unless the Town and the wireless provider agree to extend this period or a delay is caused by lack of commercial power at the site.
  7. A certification that the small wireless facilities comply with FCC regulations regarding susceptibility to radio frequency interference, frequency coordination requirements, general technical standards for power, antenna, bandwidth limitations, frequency stability, transmitter measurements, operating requirements, and all other federal statutory and regulatory requirements relating to radio frequency interference (RFI).
  9. Proof that the proposed facility meets the N.C. State Building Code and any other applicable codes.
  10. Certification that the small wireless facility will not extend more than ten (10) feet above the utility pole, city utility pole, or wireless support structure on which it is to be collocated.
  11. A structural engineering report prepared by an engineer licensed by the State of North Carolina, certifying that the host structure is structurally and mechanically capable of supporting the proposed additional antenna or configuration of antennae and other equipment, extensions, and appurtenances associated with the installation.
  12. A statement that the applicant will coordinate traffic management with the police and public works departments.
- d. Information Updates. Any amendment to information contained in a permit application shall be submitted in writing to the Town within thirty (30) days after the change necessitating the amendment.

## **5. General Siting Provisions**

- a. Location. To protect the unique aesthetics of the Town, to minimize new visual, aesthetic, and public safety impacts, and to reduce the need for additional antenna-supporting structures, the town prefers that small wireless facilities be located outside the public right-of-way; in a commercial area as long as that area is not adjacent to a municipal park or historic district, collocated on existing utility poles or wireless support structures; concealed; and have their accessory equipment mounted on the utility pole or wireless support structure. These preferences are intended as guidance for development of an application for small wireless facilities.
- b. Spacing. Whenever an applicant proposes to place a wireless support structure with a small cell facility within 500 feet from an existing wireless support structure or utility pole, the applicant must either collocate with the existing facility or demonstrate by clear and convincing evidence that a collocation is either not technically feasible or space on the existing facility is not available.
- c. Alternative Location. The Town reserves the right to propose an alternative wireless support structure location to the one proposed in the application. The Town may also propose an alternate location for a wireless support structure within 100 feet of the proposed location or within a distance that is equivalent to the width of the right-of-way in or on which the new wireless support structure is proposed, whichever is greater, which the applicant shall use if it has the right to use the alternate location on reasonable terms and conditions and the alternate location does not impose technical limits. The applicant has the burden of proving that the alternate location imposes technical limits that are prohibitive to providing service.

## **6. Collocation of Small Wireless Facilities**

Collocation of a small cell facility or a modified utility pole for the collocation of a small cell facility that meets the height requirements of § 160A-400.55(c)(2) shall be permitted and subject only to administrative review if they are collocated (1) in a town right of way within any zoning district or (2) outside of rights of way on property other than single family residential property.

In addition to other requirements of this Chapter, collocations must meet the following:

- a. Each new small wireless facility shall not extend more than ten (10) feet above the utility pole, city utility pole, or wireless support structure on which it is collocated.
- b. The antennas associated with the cell location on existing or replaced utility poles must have concealed cable connections, antenna mount and other hardware. The maximum dimension for antennas shall not be more than six cubic feet in volume including any enclosure for the antenna.
- c. Small wireless facilities shall cause no signal or frequency interference with public safety facilities or traffic control devices and shall not physically interfere with other attachments that may be located on the existing pole or structure.

- d. No portion of a small wireless facility shall be placed in the public right-of-way in a manner that obstructs pedestrians or vehicular or bicycle access, obstructs sight lines or visibility for traffic, traffic signage, or signals; or interferes with access by persons with disabilities. The Town may deny a request that negatively impacts vehicular or pedestrian safety.
- e. If a small cell facility is projecting toward the street, the Town may require any attachment to be installed at no less than sixteen (16) feet above ground.
- f. No advertising signs or logos are permitted on small wireless facilities. Unnecessary equipment manufacture decals shall be removed or painted over.
- g. Small wireless facilities shall be stealth facilities. Antenna and accessory equipment must be shrouded or otherwise concealed.
- h. Ground equipment should be minimal and least intrusive, and shall be screened with evergreen plantings or other acceptable alternatives approved by the Planning or Public Works Director. The equipment shroud or cabinet must contain all the equipment associated with the facility except the antenna. All cables and conduits associated with the equipment must be concealed from view.
- i. Small wireless facilities including ground equipment shall be blended with the natural surroundings as much as possible. Colors and materials shall be used that are compatible with the surrounding area, except when otherwise required by applicable federal or state regulations. Small wireless facilities shall be located, designed, and/or screened to blend in with the existing natural or built surroundings to reduce the visual impacts as much as possible, and to be compatible with neighboring land uses and the character of the community.
- j. Service lines must be underground to avoid additional overhead lines. For metal poles, undergrounded cables and wires must transition directly into the pole base without any external junction box. On wood poles, all above ground wires, cables and connections shall be enclosed in the smallest section or smallest diameter PVC channel, conduit, u-guard, or shroud, feasible with a maximum dimension of 4" diameter.
- k. To reduce clutter and deter vandalism, excess fiber optic or coaxial cables for small cell facilities shall not be spooled, coiled, or otherwise stored on the pole except within the approved enclosure such as a cage or cabinet.
- l. All pole mounted equipment must be installed as flush to the pole as possible. Conduit shall be finished in zinc, aluminum or stainless steel, or colored to match metal finishes
- m. Small cell facilities and wireless support structures shall not be illuminated unless illumination is integral to the camouflaging strategy such as a design to look like a street light pole.
- n. Operator, its contractors, and agents shall obtain written permission from the Town before trimming trees in the right-of-way. When trimming such trees on private property, the operator, its contractors, and agents shall notify the Town and obtain written permission from the property owner. When



directed by the Town, operator shall trim under the supervision and direction of the Town. The Town shall not be liable for any damages, injuries, or claims arising from operator's actions under this section.

o. As soon as practical, but not later than fifteen (15) calendar days from the date operator receives notice thereof, operator shall remove or correct all graffiti or other forms of vandalism on any of its small cell facilities and/or wireless support structures located in the right-of-way. The Town may agree to an extension of time for abatement when necessitated by the need to order replacement equipment when such equipment is ordered in a timely manner. If the graffiti or other form of vandalism is not removed, the Town may remove it and bill the applicant/operator for the cost of removal.

p. An abandoned small wireless facility shall be moved within one hundred eighty (180) days of abandonment. If the facility is not removed, the Town may remove it and bill the applicant/operator for the cost of removal.

q. The small wireless facility shall comply with all applicable codes, approved plans, and conditions of approval.

## **7. Small Cell Wireless Facilities and Historic Preservation.**

Small wireless facilities located in an historic district or on property designated as a landmark (pursuant to G.S. Chapter 160A, Article 19, Part 3C) shall be required to obtain a Certificate of Appropriateness as required by this ordinance. A denial of a COA may be appealed to the Board of Adjustment as set forth in Chapter 22 of the DPO.

**Village Green:** The Village Green is, to this community, of great historic value and interest essential to and defining of its heritage and character. Given the importance of the Village Green, the Town strongly prefers that small cell facilities and /or new wireless support systems not be located on the Village Green or right-of-way adjacent to the Village Green. In order to meet the service needs of operators, the Town will consider requests to locate small cell facilities on other municipal property in this area.

**Main Street:** Main Street, as it spans from Griffith Street to South Main Square, is the heart of downtown Davidson. The public right -of- way for Main Street is an integral part of the town's historic district. Any changes to the streetscape should respect its historic character. The town strongly prefers that small cell wireless structures not be located along this section of Main Street and will consider requests to locate small cell facilities on other municipal property, such as parking lots, in this area.

## **8. Modification or Replacement of Utility Poles for Collocation of a Small Wireless Facility where the Modification or Replacement Qualifies as an Eligible Facilities Request.**

The placement of new utility poles is prohibited by the Town's undergrounding requirements in the Davidson Planning Ordinance Section 6.7.2.K. Applicants seeking waiver of this requirement

may appeal to the Board of Adjustment by following the variance procedure set forth in Chapter 14 of the Planning Ordinance. Notwithstanding the foregoing, in no instance, in an area zoned or used for single family residential may a utility pole or wireless support structure exceed: i. 40 feet above ground level on property zoned for or used as single-family residential property, or in the right-of-way adjacent to such property, where existing utilities are installed underground, unless a variance is granted; or ii. 50 feet above ground level on all other property.

*Modification or replacement of qualifying utility poles and qualifying city/town utility poles existing as of the date of the adoption of this ordinance, is not prohibited;* however, the maintenance, modification, operation, or replacement of qualifying utility poles and qualifying city/town utility poles associated with small wireless facilities are subject to the following requirements:

- a. Administrative Application as required in Section 4.
- b. Each new small wireless facility shall not extend more than ten (10) feet above the associated utility pole, town utility pole, or wireless support structure on which it is collocated.
- c. No replacement utility poles or town utility poles associated with a small wireless facility are permitted in the clear zone as defined in the Mecklenburg County Standard Specifications & Details Manual unless such replacement pole is breakaway rated.
- d. No portion of a utility pole or town utility pole associated with a small wireless facility may be placed in the public right-of-way in a manner that: i. Obstructs pedestrians or vehicular or bicycle access, obstructs sight lines or visibility for traffic, traffic signage, or signals; or interferes with access by persons with disabilities; or ii. involves placement of pole-mounted equipment (other than cabling) whose lowest point is lower than eight (8) feet above ground level.
- e. Replacement or modified utility poles or town utility poles associated with a small wireless facility shall be blended with the natural surrounds as much as possible. Colors and materials shall be used that are compatible with the surrounding area, except when otherwise required by applicable federal or state regulations.
- f. All antenna and accessory equipment must be shrouded or otherwise concealed.
- g. Replacement or modification of utility poles or town utility poles associated with a small wireless facility located in an historic district or on property designated as a landmark (pursuant to G.S. Chapter 160A, Article 19, Part 3C) shall be required to obtain a Certificate of Appropriateness by DPO Section 3.27.

- h. Utility poles and town utility poles associated with a small wireless facility must meet applicable codes.

## **9. Additional Requirements for All Freestanding Wireless Support Structures or Substantial Modifications**

New freestanding wireless support non-stealth structures are defined in the Planning Ordinance as Essential Services Class 2 and are only permitted in planning (zoning) areas where Essential Services 2 is a permitted use.

In addition to those requirements found in this Chapter the following specific information must be submitted for all freestanding wireless support structures (non-concealed and concealed), and substantial modifications:

- a. Certification furnished by a Registered Professional Engineer licensed in the State of North Carolina, that the facility has sufficient structural integrity to accommodate the required number of proposed collocations.
- b. A written statement by a Registered Professional Engineer licensed by the State of North Carolina specifying the design structural failure modes of the proposed facility, if applicable.
- c. Identification of the intended service providers of the facility, if known.
- d. Master Site Plan including fall zone radius labeled as a NO BUILD ZONE.
- e. Proposed maximum height of the proposed facility, including measurement of the base the antenna support structure, less the lightning rod.
- f. The applicant shall provide a visual impact study including, but not limited to simulated photographic evidence of the proposed facility's appearance from all public and private roadways, homes, businesses, and institutions, parks and designated historic structures located within one-half mile of the center point of the proposed tower site including the facility types the applicant has considered and the impact on adjacent properties including:
  - Overall height
  - Configuration
  - Physical location
  - Mass and scale
  - Materials and color
  - Nighttime illumination
  - Architectural design
- g. Three (3) sets (24" x 36") of signed and sealed site plans, including antenna support structure elevations.
- h. A report, map and supporting technical data demonstrating the search ring and that any proposed facility cannot be replaced by an alternative, higher priority configuration such as antenna attachments, collocations, including all potentially useable utility poles and other elevated structures. The report regarding the adequacy of alternative existing facilities or the mitigation of existing facilities to meet the applicant's need or the needs of service providers indicating that no existing wireless communications facility could accommodate the applicant's proposed facility shall demonstrate any of the following:
  - No alternative antenna configurations are acceptable.

- No existing facility (any wireless communications facility utility poles, other elevated structures, etc.) are acceptable alternatives to a new facility.
- No existing wireless telecommunications facilities located within the geographic search ring meet the applicant's engineering requirements, and why.
- Existing wireless telecommunications facilities are not of sufficient height or design strength to meet the applicant's engineering requirements, and cannot be increased in height.
- Existing wireless telecommunications facilities do not have sufficient structural integrity to support the applicant's proposed wireless communications facilities and related equipment, and the existing facility cannot be sufficiently improved.
- Other limiting factors that render existing wireless telecommunications facilities unsuitable.
- Technical data included in the report shall include certification by a Registered Professional Engineer licensed in the State of North Carolina or other qualified professional, whose qualifications shall be included with the report, regarding service gaps or service expansions that are addressed by the proposed facility, and accompanying maps and calculations demonstrating the need for the proposed facility.

## **9. General Standard Conditions for ALL Facilities Regulated under this Chapter**

Applicants for collocation of small wireless facilities, new support structures, and new, replacement or modification of existing utility poles are subject to these conditions.

- a. Applicant must obtain all other required permits, authorizations, approvals, agreements, and declarations that may be required for installation, modification, and/or operation of the proposed facility under federal, state, or local law, rules, or regulations, including but not limited to encroachment agreements and FCC approvals. An approval issued under this Section is not in lieu of any other permit required under the Town of Davidson Planning Ordinance or Municipal Code, nor is it a franchise, license, or other authorization to occupy the public right-of-way, or a license, lease, or agreement authorizing occupancy of any other public or private property. It does not create a vested right in occupying any particular location, and an applicant may be required to move and remove facilities at its expense consistent with other provision of applicable law. An approval issued in error, based on incomplete or false information submitted by an applicant or that conflicts with the provision of the planning ordinance, is not valid. No person may maintain a small wireless facility in place unless required state of federal authorization remain in force.
- b. All small wireless facilities and related equipment, including but not limited to fences, cabinets, poles, and landscaping, shall be maintained in good working condition over the life of the use. This shall include keeping the structures maintained to the visual standards established at the time of approval. The small wireless facility shall remain free from trash, debris, letter, graffiti, and other forms of vandalism. Any damage shall be repaired as soon as practicable, and in no instance more than 15 calendar days from

the date of notification by the town. In public rights-of-way, damaged or deteriorated components must be corrected within five business days of notification.

- c. The applicant shall submit a certification letter from a North Carolina certified land surveyor or licensed engineer which verifies that structure height complies with requirements of this Ordinance.
- d. The applicant or operator shall maintain onsite at the facility contact information for all parties responsible for maintenance of the facility.
- e. Small wireless facilities, whether operating alone or in conjunction with other facilities, shall not generate radio frequency emissions in excess of the standards established by the Federal Communication Commission.
- f. After written notice to the applicant, owner and /or operator, the Town may require the relocation, at the applicant/operator's expense, of any small wireless facility, and the associated utility pole, town utility pole, or wireless support structure on which it is collocated, located in the public right-of-way, as necessary for maintenance or reconfiguration of the right-of-way or for other public projects, or take any other action or combination of actions necessary to protect the health and welfare of the Town.
- g. Collocation or modification of small wireless facilities on an existing non-conforming wireless support structure or base station shall not be construed as an expansion, enlargement, or increase in intensity of a non-conforming structure and/or use, provided that the collocation or modification constitute an eligible facilities request.















***DRAFT***

# Small Cell Wireless Ordinance and Aesthetic Guidelines

Board of Commissioners  
Meeting Presentation  
December 11, 2018



College Town. Lake Town. *Your Town.*

Cindy Reid, Town Attorney  
December 11, 2018

# House Bill 310

## “An Act to Reform Collocation of Small Wireless Communications infrastructure to Aid in Deployment of New Technologies”

- Effective July 2017
- Limits municipal authority regarding the siting of small cell wireless facilities and opens up public right of way (ROW) for installation of these facilities.
- Davidson has very limited authority, and likely **no** authority, to regulate small cell placement in NCDOT ROW. Arguably, some authority to regulate aesthetics in a local historic district.
- New poles may be installed in NCDOT ROW and new antenna placed on existing poles



# House Bill 310

## (continued)

- Only permits Davidson to regulate, in a very limited way, small cell installations that occur on private property or town right of way.
- Only NCDOT may regulate small cell placement in the NCDOT ROW
- Some constraints on NCDOT- new poles and new antennas. Height is limited to 50' or greater, depending on the height of existing poles nearby. NCDOT is not required to notify the Town before these installations occur.



# Background

- Mobile data traffic is expected to increase six-fold between now and 2020.
- To cope with demand, wireless providers in NC and across the country looked to supplement the traditional cell tower antenna sites with “small cell facilities”
- Intended to supply additional capacity (data speeds) and additional coverage (better signals) for cell phone users.



# Background (continued)

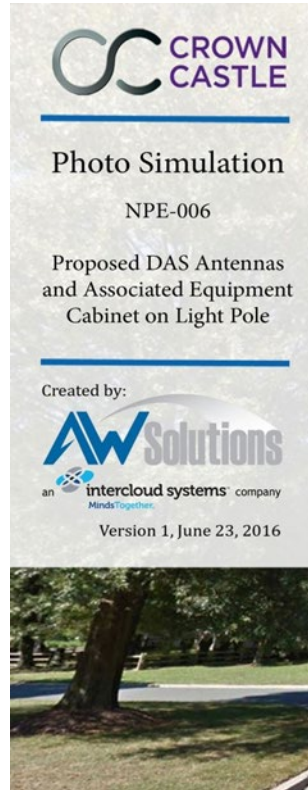
- “Small” in “small cell” refers to the area of coverage, not the actual size of the installation. Small cell facilities generally base a communication network on closely spaced antenna mounted to shorter poles as compared to traditional networks based on taller and more widely spaced towers.
- Small cell antenna can be attached to existing (or new) streetlight poles, utility poles, traffic signal poles and buildings or placed inside buildings or venues. Equipment housed in boxes power the site and provide the connection back to the wireless network.



# Traditional cell tower



# Small cell facilities on a light pole



College Town. Lake Town. *Your Town.*

Cindy Reid, Town Attorney  
December 11, 2018

# What can the Town regulate?

- Public safety regulations
- Objective design standards
- Reasonable/nondiscriminatory  
stealth/concealment requirements
- Screening/landscaping for ground equipment
- Historic Preservation requirements
- Undergrounding requirements



# Town, NCDOT, and Private Roads

- Private Maintained Roads: 31 miles

Summers Walk, Davidson East, Bailey Springs, etc.

- State Maintained Roads: 21.53 miles

Main Street, Concord Rd., Grey Rd.,

Davidson-Concord Rd., and East Rocky River Rd.

- Town Maintained Roads: 46.26 miles





# Small Cell Installations in Town Right of Way (ROW) or Private Property

The proposed ordinance requires all small cell antenna and equipment to be “stealth” or “concealed” to lessen the visual impact.

The ordinance imposes the most restrictive height limits allowed by the legislation.

Installation of new poles is prohibited by the Town's undergrounding requirements.

Replacement poles in areas used for SF residential may not exceed 40 feet in height



<b>Location</b>	<b>Collocation Permitted</b>	<b>New pole permitted</b>	<b>Replacement pole permitted</b>
Property zoned or used for single family residential	Stealth only	no	Yes but may not exceed 40 feet
Town ROW (clear zone)	Yes; antenna limited to 10 feet above height of structure	no	Only if pole is breakaway rated and may not exceed 50 feet
Town ROW (outside clear zone); property not zoned or used for SF residential	Yes; antenna limited to 10 feet above height of structure	no	Yes, may not exceed 50 feet
NCDOT ROW	Town cannot regulate	Town cannot regulate	Town cannot regulate



# Historic Preservation

Municipalities may still regulate wireless facilities in historic districts and on landmarks. Can the municipality regulate new poles on NCDOT Row in the local historic district?

Arguably, yes, but NCDOT cooperation is necessary.



# Collocation and Replacement of existing poles

The placement, installation, maintenance, modification, operation or replacement of wireless facilities on, under, within or on the surface of the earth adjacent to existing structures, including utility poles, city utility poles, water towers, buildings or other structures capable of structurally supporting the attachment of wireless facilities in compliance with applicable codes.

The term “collocation” does not include the installation of new utility poles, city utility poles or wireless support structures.”

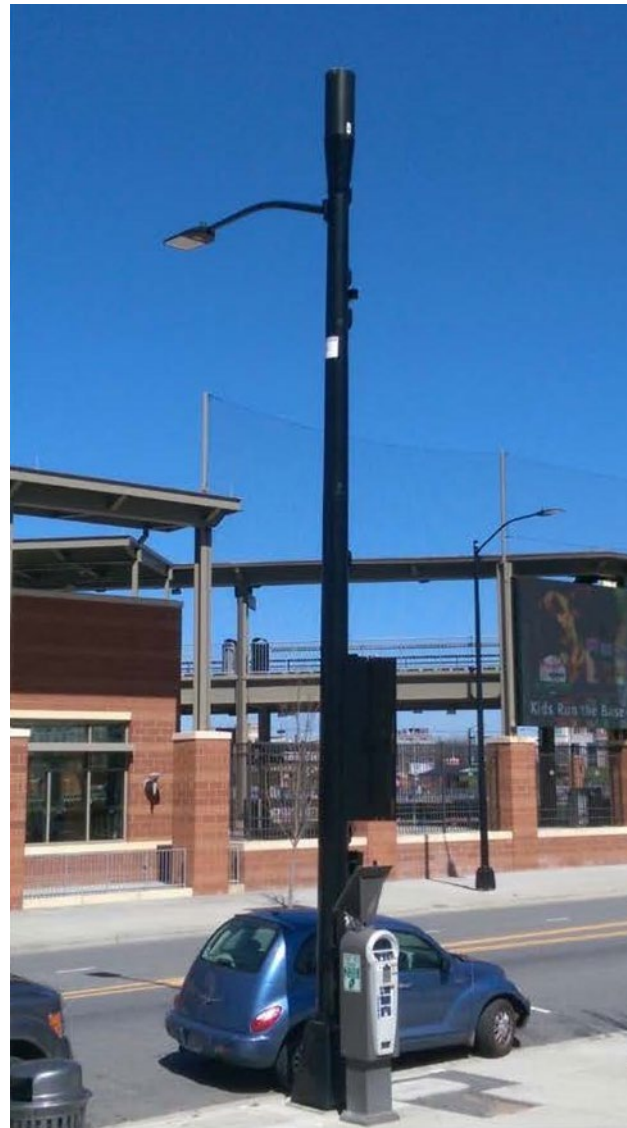


# Duke Power and Energy United

- Duke Power and Energy United own utility poles and street lights. Town owns 42 light poles in the Knox Court area.
- The Town pays the operating costs of the street lights.
- Dual use streetlights- the street light contains a concealed small cell wireless antenna at the top and associated equipment in a shrouded box on the streetlight pole. As per Ron Stephenson, with Duke Power, Duke requires consent from Town for dual streetlights in Town or NCDOT ROW (DB conversation)



# Duke Energy Joint Use Pole in Charlotte



College Town. Lake Town. *Your Town.*

Cindy Reid, Town Attorney  
December 11, 2018

# Traffic signals or other poles

- HB 310 forces cities to allow collocation on municipally owned traffic signals or other poles that provide lighting, traffic control or a similar function
- In addition the Town must pay for make ready work meaning any work that is required to shore up the existing pole to handle the small cell equipment.





# Small cell wireless equipment on a shared light pole in Huntersville



College Town. Lake Town. *Your Town.*

Cindy Reid, Town Attorney  
December 11, 2018





## Small cell wireless equipment on a shared light pole in Huntersville



College Town. Lake Town. *Your Town.*

Cindy Reid, Town Attorney  
December 11, 2018

# The Town cannot require any of the following in regard to small wireless facilities:

- Services unrelated to the collocation such as reservation of conduit or pole space for town;
- Application may not require info not required of other “communications services providers”; “
- Undergrounding UNLESS town has a non-discriminatory policy; but 40-foot tall poles are permitted through a waiver process
- Moratoria



# Small wireless facilities shot clocks FCC & NC

- Ten days to notify applicant that an application is not complete
- Forty-five days to approve completed applications
- One year to begin service “Mandatory attestation required”
- 180 days to remove after “abandonment”
- Optional: 6 months to begin “collocation”, 12 months to “activate for use” but only if included in permit (and ordinance)

Traps for the unwary – notice of incomplete application must explain the “deficiencies” in writing. Re-submissions are deemed complete unless further written notice is made.



# Brief Summary of Small Cell Wireless Ordinance and Aesthetic Guidelines

## Lists general application requirements

Permit application including description of the work and a statement as to potential visual and aesthetic impacts of the proposed facility, site plan, compliance with all applicable codes, compliance with FCC regulations, certification of height limit, structural engineering report, etc.

## Lists general siting preferences

- Locations
- Spacing
- Alternative Location
- Collocation Required

## Lists requirements for Collocation and Objective Design Standards

Only permitted in Town ROW or outside Town ROW on land that is used for non single family residential



# Objective Design Standards

- May not obstruct pedestrian or vehicular traffic
- No advertising or logos
- Small cell facilities shall be stealth
- Ground equipment shall be minimal, least intrusive and blended with natural surroundings
- Service lines underground
- Installed as flush to a pole as possible
- No tree trimming without permission
- Remove or correct all graffiti and vandalism
- Comply with codes



# Next Steps

- April 15 deadline to adopt aesthetic guidelines
- Work with utility companies to iron out process or collocation
- Discussions with NCDOT regarding aesthetic control of installations
- Consult with a telecommunications expert
- Bring back to BOC in February or March





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**Agenda Title: 2018 Strategic Plan Accomplishments  
Town Manager Jamie Justice**

**Summary:** The Mayor and Board of Commissioners asked that staff provide a report on the 2018 accomplishments that coincides with the first year of the two-year term of office. We framed the accomplishments report from the town board's 2018-2019 strategic plan focus areas. The accomplishments cover the first several months of low hanging items the board asked staff to accomplish as well as the strategic plan initiatives identified in the 2018-19 strategic plan adopted in March 2018.

**Summary:**

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**ATTACHMENTS:**

	<b>Description</b>	<b>Upload Date</b>	<b>Type</b>
▢	Agenda Memo - 2018 Strategic Plan Accomplishments 12-11-18	12/7/2018	Cover Memo
▢	Attachment - 2018 Strategic Plan Accomplishments 12-11-18	12/7/2018	Backup Material





## 2018 Accomplishments

To: Davidson Board of Commissioners  
From: Jamie Justice, Town Manager  
Date: December 11, 2018  
Re: 2018 Accomplishments

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### 1. OVERVIEW

The Mayor and Board of Commissioners asked that staff provide a report on the 2018 accomplishments that coincides with the first year of the two-year term of office. We framed the accomplishments report from the town board's 2018-19 strategic plan focus areas. The accomplishments cover the first several months of low hanging items the board asked staff to accomplish as well as the strategic plan initiatives identified in the 2018-19 strategic plan adopted in March 2018.

### 2. RELATED TOWN GOALS

**Strategic plan:**

All.

**Constituents served:**

All citizens.

### 3. OPTIONS/PROS & CONS

N/A

### 4. FYI or RECOMMENDED ACTION

FYI.

### 5. NEXT STEPS

The 2018 Accomplishments report will be placed on the town website along with the strategic plan information.



## 2018 Accomplishments

On March 27, 2018, the Davidson Board of Commissioners approved the 2018-2019 Strategic Plan focusing on goals in the following categories:



LAND USE  
STRATEGY



HISTORIC  
PRESERVATION  
STRATEGY



COMMUNITY  
ENGAGEMENT  
STRATEGY



GREENWAYS, OPEN  
SPACE, AND PARKS  
STRATEGY



AFFORDABLE  
HOUSING



OPERATIONS



ECONOMIC  
DEVELOPMENT  
STRATEGY



PARTNERSHIPS



MOBILITY/  
TRANSPORTATION

Staff created work plans specific to each tactical item/action step and have made accomplishments in the following areas.

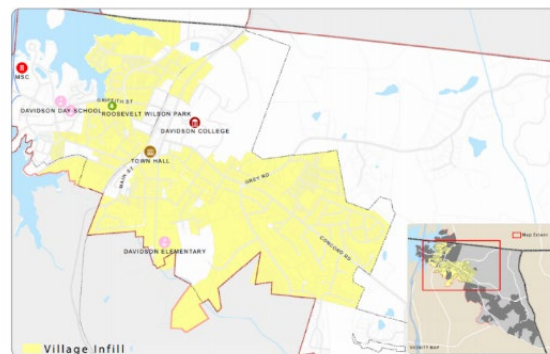


*The Town of Davidson will align land use policies including revision of development processes, zoning, and regulations to preserve our architectural history, manage residential growth, reduce the scale of future development, and enhance downtown (i.e., connect North and South Main Streets).*

- Investigated all growth management tools available to towns in North Carolina; held mini retreat with UNC School of Government, Town Board, and Planning Staff.
- Changed land use regulations

**Examples:**

Water & Sewer Policy  
Multi-Family scale reduction in Village Infill  
Tree Ordinance  
Watershed Text Amendments  
Annexation Policy



- Accelerated launch of Comprehensive Plan



- Revised Core Value #5

“Davidson’s traditional character is that of a small, historic college town, so land planning will reflect its historic patterns of village-centered growth including connection of neighborhoods, preservation of our historic resources, conservation of rural area, and provision of public spaces.”



*The Town of Davidson will have inclusive engagement with the community to encourage substantive, respectful, and open dialogue, increase participation, and foster a sense of belonging.*

- **New approach to Board Meetings – Adjusted Work Session & Regular Meeting schedule, enhanced agenda content, focused on transparency, allowed for time in decision making process for public discussion and board analysis prior to action**
- **Improved board/staff communications – Monthly Planning Workplan Update and Monthly Planning E-crier, Staff streamlined presentations with options & pros/cons, met with advisory boards to clarify guidance**
- **8 questions on Open Town Hall for citizen input**
- **Hosted Community Dinner: Breaking Bread, Building Friendships on May 4, 2018**



- **New Residents Reception on September 20, 2018**
- **2019 Citizen Survey underway**
- **Engaged three times with neighborhood reps and homeowners' associations**
- **Hosted Custard with a Cop & National Night Out**







*The Town of Davidson will preserve existing affordable housing,\* and other indicia of inclusion, and work with a variety of partners to create new available, affordable workforce and elderly housing.*

*\*Affordable housing for the Town of Davidson is defined as incomes between 50% and 120% AMI*

- Reviewed existing programs – Held Mini Retreat on September 20 on Affordable Housing Strategy



- Down Payment Assistance Program
- Planning for payment in lieu program
- Worked with Davidson Housing Coalition, HAMMERS, Our Towns Habitat
- Worked with a variety of partners to create new available, affordable workforce housing - *Bailey Springs Affordable Housing*





*The Town of Davidson will use existing assets and manage growth to encourage an appropriate mix of residential and commercial development.*

- **Amended Economic Development Plan to incorporate Historic Preservation as an economic development tool**
- **20 new businesses opened in 2018**
- **Awarded businesses with Merchant Ad Grants totaling \$5,000**
- **Hosted 11 Davidson Connections Business Networking events**
- **Generated Tourism dollars (increased food & beverage tax, occupancy tax) through signature events**





*The Town of Davidson will preserve our historically significant structures to retain our authenticity as a historic, small college town.*

- Process underway to expand Local Historic District including citizen engagement opportunity with Hanbury Preservation Consulting
- Purchase of 251 South Street for Public Facilities & Historic Preservation



- Approved as a Certified Local Government
- Held community meeting with Charlotte-Mecklenburg Landmarks Commission to discuss potential landmark designations
- Increased grant funding to \$15,000 for the Davidson Main Street Business Grant to aid in historic preservation of downtown



moxie  
MERCANTILE







*The Town of Davidson will increase physical and mental health of Davidson citizens. Preserve open space and promote greenway connectivity. Provide ample opportunities for play and discovery (active and passive).*

- **Improve Neighborhood Parks – Grand Opening of Plum Creek Park**



- **Greenway planning – Kincaid Trail Extension & River Run/Summer's Walk**
- **Park at Beaty Task Force**
- **Tree Inventory**

*The Town of Davidson will enable citizens to move freely throughout town via transit, car, bicycle, and on foot.*



- **Davidson Mobility Plan – Working with consultant, hosted town walks with citizens, charrette process, and collected citizen input; draft plan in progress**
- **North/South Connector Project Planning**
- **Exit 30 Bridge Improvements**
- **Potts/Sloan/Beaty Corridor Planning**
- **Project for installation of sidewalk, curb, and gutter along Grey Road**







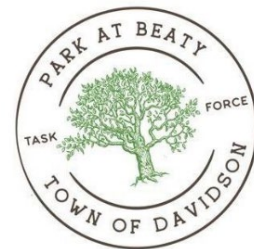
*The Town of Davidson will maintain organizational excellence through sound financial management, training and retention of quality employees, and superior service to the community.*

- **Sound financial management:** Completed Joint Salary Study to review staffing, pay, and benefit levels, infographics for website utilizing ClearGov for transparency, expanded Financial Statements to a Comprehensive Annual Financial Report (CAFR) and awarded the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the first time



- **Examine Town Assets:** Beaty Street Property Task Force formed to develop plans

- **Opening of Fire Station 2 at 19436 Davidson-Concord Road**

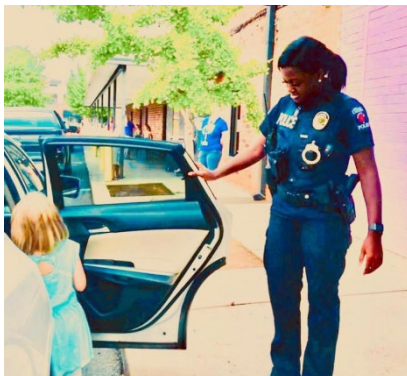


- **Planning Public Facilities at 251 South Street and proposed changes to existing Town Hall for Public Safety**



*The Town of Davidson will build on existing relationships to strengthen partnerships with strategic organizations and institutions.*

- **Partnership with Charlotte-Mecklenburg Schools to purchase 251 South Street and not support House Bill 514**
- **Contribution from Davidson College to assist with the installation of flashing beacons for pedestrian crossing project**
- **\$55,500 in grants awarded to local non-profits**
- **Received \$300,000 in grants from the State of North Carolina for local priorities**



- **Launched first School Resource Officer Program for the Town in partnership with Community School of Davidson**
- **Partnership with Mecklenburg County, Charlotte, Cornelius, and Huntersville to create plan to fund North Mecklenburg Magistrate's Office**

- **Planted 70 trees at Plum Creek Park with TreesDavidson**

