

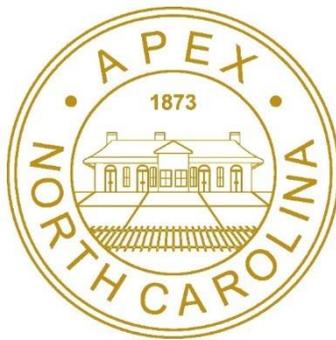
Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2019



TOWN OF APEX
NORTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FOR THE FISCAL YEAR
ENDED JUNE 30, 2019

**Town of Apex, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019**

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INTRODUCTORY SECTION



November 1, 2019

TO THE CITIZENS OF THE TOWN OF APEX:

We are pleased to present the Comprehensive Annual Financial Report of the Town of Apex for the fiscal year ended June 30, 2019. This report is issued to inform the citizens of Apex of the Town's financial condition at June 30th and how the financial resources of the Town were used during the fiscal year then ended. The report also fulfills the requirement of North Carolina state law that every local government has an annual audit of its financial statements performed by a certified public accountant.

The Town of Apex management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control it has established for this purpose. The concept of internal controls assumes their costs should not exceed their anticipated benefits, and their objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Joyce and Company, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Town of Apex's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

This letter of transmittal should be read in conjunction with Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report in the Financial Section. MD&A provides a narrative overview and analysis of the basic financial statements.

PROFILE OF THE GOVERNMENT

The Town of Apex, incorporated in 1873, is located in central North Carolina, less than 10 miles from Raleigh, the state capital. From its humble beginnings as a small railroad stop (the name "Apex" comes from being the highest point on the rail line), the Town has grown to a population of 58,135 and a land area of 23.6 square miles.

The Town operates under a Council-Manager form of government. Policy-making and legislative authority rest with the Town Council, consisting of the mayor and five other members. All are elected on a town-wide basis to a four year term, with three members elected every two years. The Council appoints the Town Manager, who is responsible for hiring department heads and managing day to day operations.

TOWN OF APEX

The Peak of Good Living

PO Box 250 Apex, NC 27502 | (919) 249-3400 | www.apexnc.org

The Town provided a full range of services during the 2019 fiscal year including police, fire protection, sanitation, water, sewer, and electric services, construction and maintenance of streets and infrastructure, and recreational activities and events. Various other local entities such as The Wake County Public School System, WakeMed Apex Healthplex, and The Wake County Public Libraries do not meet established criteria for inclusion as part of the Town as a reporting entity and are therefore excluded from this report.

State law requires that the Town Council approve an annual budget prior to July 1. The budget ordinance authorizes all financial transactions of the Town except those authorized by a project ordinance or conducted through a trust or agency fund. The budget is prepared by fund and department. Department heads may transfer resources within a department and the Town Manager may transfer between departments, but any change which increases or decreases a fund's overall budget requires approval of the Council.

LOCAL ECONOMY

Economic activity and the construction industry remain very strong although some aspects did drop a bit from the exceptionally high levels of the prior year. Revenues for building permits and inspection fees were \$4.6 million, down 12% from the prior year. The Town issued 1,726 permits for new residential construction this year, an increase of 175 permits or 11.28% from the previous year. Total construction value for those permits was up by \$6.2 million or 1.77%. Commercial construction decreased. The Town issued 40 commercial building permits, 23 fewer than the previous year. The total value of those permits decreased from \$82.2 million to \$23.1 million. Overall, new construction (residential and commercial) totaled 1,766 permits with a value of \$378.8 million, compared with 1,614 permits and \$431.77 million in the preceding year.

Due to the residential growth in Apex, property taxes have come to provide a greater share of the Town's revenues. In 2009, total ad valorem tax revenue was \$14.2 million as compared to \$29.5 million in 2019. The 2019 fiscal year tax rate was 41.5 cents per \$100, as compared to 34 cents this time 10 years ago but our tax revenue has more than doubled. Construction and development within the Town is continuing to support the growth in tax base and thus the tax revenue. The appraised value of the Town's tax base as of January 1, 2019 was \$7.8 billion compared to \$4.2 billion ten years earlier.

During the 2019 fiscal year other economically sensitive revenues were also strong. Sales tax collections increased by 8.9% and other state collected local revenues continued to increase. Within all major revenue categories, compared to 2009 results, there has been a significant increase.

Apex continues to benefit from its location, which makes it a residential and retail center for employees of Research Triangle Park (RTP). RTP is primarily dependent on firms in relatively stable, growing industries such as technology, healthcare, and financial services. In addition, the Town's proximity to Raleigh, with several universities and the state government complex, also serves to provide a stable employment base. Because of the presence of these major employers, the local unemployment rate has stayed below the state and national figures.

Looking back over the past 10 years, the Town's total General Fund revenues and expenditures have more than doubled. Much of this increase is understandable, as the Town's population has grown 66.6% in the same period. The most obvious trend during this timeframe has been the continued emphasis on public safety. The costs to provide these services have climbed from \$9.8 million in 2009 to \$21.4 million in 2019.

Since moving from largely volunteer departments to Town provided services, the Town has assumed a greater responsibility for Fire Protection using more full time employees. This increase is supported by the Town's steady population growth and commitment for citizen's safety and wellbeing. In September 2015 Money Magazine named Apex the best place to live in America.

LONG-TERM FINANCIAL PLANNING

The Town, for many years now, has maintained solid cash reserves and fairly modest debt levels. This has enabled the Town to proceed with some major projects financed by various types of long-term debt. During the past year the Town has undertaken a number of street and parks projects. The Town has an agreement with Cary to undertake a number of water and sewer projects. No new debt was issued by the Town during the 2019 fiscal year. Voters have authorized the Town to issue general obligation bonds for park and recreational facilities and street and sidewalk improvements that have not yet been issued. The authorized but unissued amounts are \$28 million and \$12 million respectively.

The Town continues to have capital and operational needs in a number of areas due to growth. The Town's goal is to maintain a minimum of 25% of expenditures in unassigned fund balance in the General Fund. Funds in excess of that amount are available to be used for one time expenditures, such as smaller improvements or construction projects. At June 30, 2019, the Town's unassigned fund balance was \$26 million, or roughly 48.9% of the year's General Fund expenditures.

MAJOR INITIATIVES

In addition to addressing major needs in the Water and Sewer Fund, the Town is also evaluating its options to finance park and recreation projects, public safety projects, street and sidewalk improvements and electric utility projects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Apex for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the twenty fifth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently

organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis was made possible by the dedicated service and cooperation of Joyce and Company CPA, and the Town's Finance, Planning, and Construction Management departments. We would like to extend special thanks to Suzanne Parmentier for her work and to the Mayor and Town Council for their support for maintaining the highest standards of professionalism in the management of the Town's finances.



Drew Havens
Town Manager



Vance Holloman
Finance Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Apex
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



ELECTED OFFICIALS

MAYOR:	R. LANCE OLIVE
MAYOR PRO TEM:	NICOLE L. DOZIER
COUNCIL MEMBERS:	WILLIAM S. JENSEN
	WESLEY M. MOYER
	AUDRA M. KILLINGSWORTH
	BRETT D. GANTT



Drew Havens
Town Manager

Laurie Hohe
Town Attorney

ADMINISTRATIVE STAFF

Shawn Purvis
Assistant Town Manager

David Hughes
Assistant Town Manager

Donna Hosch
Town Clerk

Mary Beth Manville
Director of Human Resources

John M. Brown
Director of Parks, Recreation
and Cultural Resources

Erika Sacco
Director of Information
Technology

Rudy Baker
Director of Inspections
and Permits

Marty Stone
Director of Utility Engineering
and Water Resources

John W. Letteney
Chief of Police

Keith M. McGee
Fire Chief

Jose Martinez
Director of Public Works
and Transportation

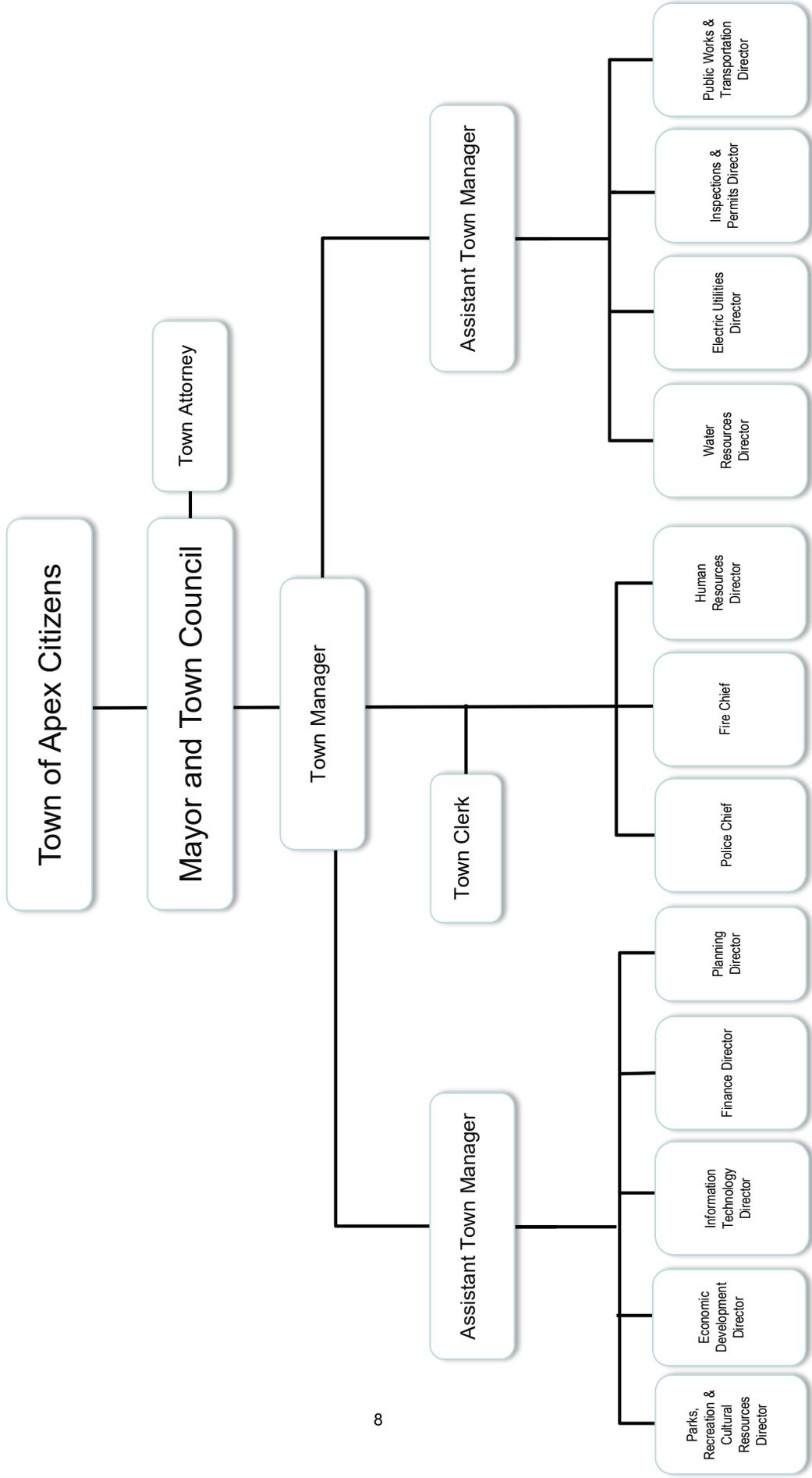
Vance Holloman
Director of Finance

Eric Neumann
Director of Electric Utilities

Joanna Helms
Director of Economic
Development

Dianne Khin
Director of Planning

Town of Apex Organizational Chart



FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Apex, 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 Apex, North Carolina, as of and for the year ended June 30, 2019, 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 opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Apex, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Apex, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2019 on our consideration of Town of Apex’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 Town of Apex’s internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 1, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Apex, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with the transmittal letter in the front of this report and the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

Financial Highlights

- The Town's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by approximately \$757 million (*net position*). Of this amount, \$74 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$62.9 million from the prior year. The net position of the governmental activities increased 65.1 million while the net position of the business-type activities decreased \$2.2 million. Approximately \$69.2 million of street related and utility infrastructure was donated by developers with a value of \$65.8 million for street and sidewalk related infrastructure and \$3.4 million for utility infrastructure.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$78 million, an increase of \$7.1 million compared to the prior year. The total fund balance in the General Fund increased \$5 million while the total fund balance in other governmental funds increased \$2.1 million primarily due to fees and payments received that are designated for recreation and street projects.
- At the end of the fiscal year, unassigned fund balance for the General Fund increased to \$26 million, or 48.9% of total General Fund expenditures for the fiscal year.
- The Town of Apex's total debt decreased by \$5.9 million during the current fiscal year as the Town did not issue any additional debt.
- The Town entered into a legal settlement for claims challenging the Town's authority to collect impact fees for water, sewer and transportation infrastructure. The Town agreed to repay water and sewer capital fees of \$14.6 million and \$698,574 of transportation impact fees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Apex's basic financial statements. The Town's basic financial statements consist of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of entity-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 Apex.

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Entity-wide Financial Statements**. The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. The **Required Supplemental Information** contains additional information required by generally accepted accounting principles. After the notes and the required supplemental information, additional **Supplemental Information** is provided. The other supplemental information shows details about the Town's individual funds, including budgetary information required by North Carolina General Statutes.

Entity-wide Financial Statements

The entity-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 entity-wide statements provide short and long-term information about the Town's financial status as a whole.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the entity-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, environmental protection, and cultural and recreational. The business-type activities of the Town are utility system services, specifically electricity and water and sewer.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Apex has no component units that must be included in this report.

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

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet (Exhibit 3) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit 4) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

During the past fiscal year, the Town of Apex maintained eight individual governmental funds: the General Fund, one special revenue fund (to account for revenues which are restricted to a specific purpose), five capital projects funds (to account for construction projects spanning more than one annual budget year or funds set aside for future projects), and one permanent fund (to account for funds reserved for perpetual

care of a cemetery). The General Fund and the Recreation Capital Projects Fund are the only governmental funds considered to be major funds. The other governmental funds are considered to be nonmajor and their information is presented in the aggregate.

The Town of Apex adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This budgetary statement includes both original and final amended budgets.

The basic governmental fund financial statements can be found on Exhibits 3 through 5. Governmental funds considered to be nonmajor are presented as a single column in these statements.

Proprietary Funds: The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the entity-wide financial statements, only in more detail. The Town uses enterprise funds to account for its electric and water and sewer related activities. Both the Electric Fund and the Water and Sewer Fund are classified as major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. Apex uses an internal service fund to account for its self-insurance for health and dental claims. Because this fund predominately benefits the governmental rather than business-type functions, it has been included within governmental activities in the entity-wide statements.

The basic proprietary fund financial statements can be found on Exhibits 6 through 8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements are on pages 32-67 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligations to provide pension benefits to police officers under the Law Enforcement Officers Special Separation Allowance under GASB Statement 73, retiree health insurance under GASB Statement 75 and pension benefits to its employees through the Local Government Employees' Retirement System. Required supplementary information can be found on pages 68-73 of this report.

Entity-Wide Financial Analysis

Entity-wide financial statements can provide an excellent overall view of the Town's transactions for the year and its financial condition at year end. In particular, comparing current year amounts with the previous year's figures can highlight areas in which the Town's finances are improving or deteriorating.

As noted earlier, net position may serve over time as one useful indicator of the Town's financial condition. At the end of the current fiscal year, the Town had a positive balance in both its governmental and business-type activities. Governmental activities net position increased by \$65.1 million to \$471.9 million during the year while business-type net assets decreased by \$2.2 million to \$284.9 million. The decrease in business-type net assets was due to the settlement of a legal claim resulting in repayment of \$14.6 million of water and sewer capital fees collected in prior years.

**The Town of Apex
Net Position**
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2017
Current and Other Assets	\$84.2	\$75.2	\$89.5	\$81.9	\$173.7	\$157.1
Capital Assets	476.8	420.0	278.0	277.3	754.8	697.3
Total Assets	561.0	495.2	367.5	359.2	928.5	854.4
Deferred Outflows	8.5	4.4	2.2	1.3	10.7	5.7
Long-Term Liabilities	84.5	79.5	58.9	60.1	143.4	139.6
Other Liabilities	10.9	9.8	25.5	12.6	36.4	22.4
Total Liabilities	95.4	89.3	84.4	72.7	179.8	162.0
Deferred Inflows	2.2	2.8	0.4	0.6	2.6	3.4
Net Position:						
Net Investment in Capital Assets	446.5	383.8	225.2	220.3	671.7	604.1
Restricted	11.1	10.4	-	-	11.1	10.4
Unrestricted	14.3	13.3	59.7	66.9	74.0	80.2
Total Net Position	\$471.9	\$407.5	\$284.9	\$287.2	\$756.8	\$694.7

As is the case for many entities, the largest portion of the Town's net position (\$671.7 million or 88.7%) is represented by its net investment in capital assets (e.g. land, buildings, machinery, and equipment less any related debt still outstanding that was issued to acquire those assets). These capital assets are used to provide services to citizens; consequently, they are *not* available for future spending. And although the Town's net investment in its capital assets is reduced by the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to pay these related liabilities.

Approximately \$69.2 million of street related and utility infrastructure assets were donated from developers, valued at \$65.8 million for street and sidewalk related infrastructure and \$3.4 million for utility infrastructure. Most of the remainder of the Town's net assets (\$74 million or 9.8%) are unrestricted, meaning they may be used to meet the Town's ongoing obligations to citizens and creditors.

During the 2019 fiscal year the Town established an irrevocable trust for payments of its other postemployment benefits (OPEB) liability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town adjusted the measurement date for its OPEB plan to agree to the reporting date. As a result, beginning net position for the governmental activities decreased \$624,411 and \$122,782 for the business type activities.

The Town of Apex
Changes in Net Position
(in millions)

	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$14.0	\$15.6	\$58.2	\$54.6	\$72.2	\$70.2
Operating Grants and Contributions	2.9	4.3	---	---	2.9	4.3
Capital Grants and Contributions	66.0	98.1	14.2	37.9	80.2	136.0
General Revenues:						
Property Taxes	29.5	24.7	---	---	29.5	24.7
Other Taxes	11.8	10.6	---	---	11.8	10.6
Investment Earnings	1.6	0.6	1.5	0.7	3.1	1.3
Other	3.7	3.5	0.1	---	3.8	3.5
Total Revenues	<u>129.5</u>	<u>157.4</u>	<u>74.0</u>	<u>93.2</u>	<u>203.5</u>	<u>250.6</u>
Expenses:						
General Government	11.7	10.6	---	---	11.7	10.6
Public Safety	21.0	21.1	---	---	21.0	21.1
Public Works	19.0	16.5	---	---	19.0	16.5
Environmental Protection	4.1	3.6	---	---	4.1	3.6
Cultural and Recreation	6.4	5.7	---	---	6.4	5.7
Interest on Long-Term Debt	1.5	1.1	---	---	1.5	1.1
Water and Sewer	---	---	24.5	22.3	24.5	22.3
Electric	---	---	37.0	34.3	37.0	34.3
Special Item-Legal Settlement	0.7	---	14.7	---	15.4	---
Total Expenses	<u>64.4</u>	<u>58.6</u>	<u>76.2</u>	<u>56.6</u>	<u>140.6</u>	<u>115.2</u>
Change in Net Position	<u>65.1</u>	<u>98.8</u>	<u>(2.2)</u>	<u>36.6</u>	<u>62.9</u>	<u>135.4</u>
Net Position - Beginning of year	407.5	325.0	287.2	252.1	694.7	577.1
Restatement GASB #75	(0.6)	(16.3)	(0.1)	(1.5)	(0.7)	(17.8)
Net Position - Beginning of year as restated	<u>406.9</u>	<u>308.7</u>	<u>287.1</u>	<u>250.6</u>	<u>694.0</u>	<u>559.3</u>
Net Position - End of year	<u>\$472.0</u>	<u>\$407.5</u>	<u>\$284.9</u>	<u>\$287.2</u>	<u>\$756.9</u>	<u>\$694.7</u>

Governmental activities: Revenues related to governmental activities decreased \$27.9 million, or 18%. The majority of this decrease came from Capital Grants and Contributions which decreased by \$32 million due to decreased grants for transportation projects and developer contributions. Tax revenues also increased by \$4.8 million due to an increased tax base. Total expenses were up by \$5.8 million or 5.2%. While most areas experiencing higher operating costs, \$2.8 million of the increase is due to increased depreciation upon Town infrastructure. The Town discontinued emergency medical services (EMS) operations at the end of the 2018 fiscal year. Those services are now provided by Wake County.

Business-type activities: Total business-type activity revenues decreased by \$19.2 million or 20% during the fiscal year. Capital contributions of water and sewer lines from developers decreased \$13 million while capital reimbursement fees decreased \$10.6 million from high prior year amounts. Charges for services increased \$3.6 million or 6.6%. Electric rates were increased 2.15% and sewer rates 4.3% at the beginning of the fiscal year. Spending for business-type activities increased \$4.9 million or 8.7%. The greatest change being increases in electric power purchases, depreciation expense and operations. Increases in operations and power purchases were in line with customer growth of approximately 9%.

Financial Analysis of the Town's Funds

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

Governmental Funds: The focus of the Town of Apex's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, *unassigned fund balance* can be a useful measure of the Town's net resources available for spending at the end of the fiscal year. This is the portion of fund balance remaining after subtracting the amounts that have been *restricted* (usually by NC state law) or *assigned* (designated for a specific purpose by the Town's management).

The General Fund is the chief operating fund of the Town of Apex. At the end of the fiscal year, unassigned fund balance of the General Fund was \$26.1 million, while total fund balance increased to \$39.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2019, unassigned fund balance was 48.9% of the year's expenditures (compared to 44.4% last year), while total fund balance represents 74.9% of that same amount (70.6% in 2018).

The Town strives to maintain an unassigned fund balance of 25% of expenditures. Amounts in excess of this minimum may be used for construction projects when the Town wishes to avoid the issuance of additional debt, for emergency work needed after natural disasters, or for maintaining a stable tax rate when economically dependent revenues (i.e. sales taxes) are less than budgeted amounts. The Town budgeted \$6.9 million of fund balance for the 2018-19 fiscal year to help meet the needs of a fast growing community for vehicles, equipment and street improvements. Again, revenues ended better than anticipated and expenditures were less than anticipated and total fund balance increased by \$5 million as a result of fiscal year operations. Total revenues were \$1.6 million more than the final budget, primarily because higher than expected revenues from property, utility sales and sales taxes. In addition, total departmental expenditures ended the year \$9.9 million less than the final budget.

The Recreation Capital Project Fund ended the fiscal year with a fund balance of \$23.9 million, all restricted or committed to recreation improvements. Fund balance increased during the year by \$3 million due to transfers from other funds, investment earnings and restricted revenues. The Fund expended \$1.2 million on capital projects during the fiscal year.

At year end, the governmental funds of Town of Apex reported a combined fund balance of \$78 million, an increase of \$7.2 million from the prior year. The increase resulted predominately from the General Fund and Recreation Capital Project Fund increases discussed above and an increase in revenues designated for street projects. During the year the Town spent \$1.7 million for streets projects. The General Fund, special revenue fund, and capital projects funds are included in this combined fund balance amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments are made to recognize new funding amounts or to increase appropriations that become necessary for capital projects or to expand services.

Overall, General Fund revenues increased by \$4.6 million from the prior year, an increase of 8.5%. This increase came from increases in property taxes, sales taxes and garbage and recycling fees. Permits and fees fell by \$.7 million or 13% from exceptionally high prior year amounts. The Town discontinued EMS services and therefore did not receive a \$1.6 million grant from Wake County for that purpose.

General Fund expenditures rose by \$4 million, or 8.1%. The majority of the increase came in expenditures for Public Safety, Administration and Parks and Recreation. The major initiatives of note were increased operating costs and capital outlay.

Proprietary Funds: The Town of Apex’s proprietary fund financial statements provide the same type of information found in the entity-wide statements but with each of the two funds broken out separately. Unrestricted net positions of the Electric and Water and Sewer Funds at the end of the fiscal year were \$11.1 million and \$49.9 million, respectively. The change in net position for the Electric Fund was an increase of \$3.9 million and a decrease of \$6.2 million in the Water and Sewer Fund. The decrease in the Water and Sewer Fund was due to settlement of legal claims related to water and sewer capital fees.

In the Electric Fund, operating revenues increased by \$2.4 million or 6.25% due to an increase in the number of customers and rates. Operating expenses increased by \$2.8 million or 8.2% flat due to an increase in the cost of power, depreciation expense and an increase in the number of customers.

In the Water and Sewer Fund, operating revenues increased by \$1.1 million or 6.75% due to customer growth and increases in sewer rates. Operating expenses increased by \$2.2 million or 10.6% predominately due to increases in depreciation expense and customer growth.

Capital Asset and Debt Administration

Capital assets: The Town of Apex’s investment in capital assets for its governmental and business–type activities as of June 30, 2019, totaled \$754.8 million (net of accumulated depreciation). These assets include buildings, streets and sidewalks, land, machinery and equipment including vehicles, park facilities, utility plants, electric and water distribution systems, and wastewater collection systems.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction and additions in the governmental-type activities of \$74.4 million,
- Electric distribution system improvements, additions, and other capital assets of \$4.7 million,
- Water and sewer system improvements, additions, and other capital assets of \$9.3 million.

**Town of Apex
Capital Assets
(in millions)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$104.6	\$93.3	\$55.1	\$53.1	\$159.7	\$146.4
Construction in Progress	6.6	3.9	7.1	3.1	13.7	7.0
Total Non-Depreciable Assets	111.2	97.2	62.2	56.2	173.4	153.4
Buildings and Improvements	48.4	47.6	15.1	15.1	63.5	62.7
Machinery and Equipment	8.5	7.0	3.9	3.7	12.4	10.7
Vehicles	13.6	11.4	5.5	4.9	19.1	16.3
Infrastructure	445.3	389.8	323.7	316.9	769.0	706.7
Total Depreciable	515.8	455.8	348.2	340.6	864.0	796.4
Accumulated Depreciation	(150.2)	(133.0)	(132.4)	(119.5)	(282.6)	(252.5)
Total Depreciable Assets, Net	365.6	322.8	215.8	221.1	581.4	543.9
Total	\$476.8	\$420.0	\$278.0	\$277.3	\$754.8	\$697.3

Additional information on the Town’s capital assets can be found in Note 4 of the Notes to the Financial Statements starting on page 43.

Long-term Debt: As of June 30, 2019, the Town of Apex had total general obligation bonded debt outstanding of \$67 million, including \$2.6 million of deferred premium, electric revenue bonds outstanding of \$2.9 million, and installment purchase related debt of \$32.7 million. Of the general obligation bonds, \$31.9 million, including \$1.3 million of deferred premium, is being repaid from utility system revenues. The remainder of the Town’s general obligation bonds, are being repaid from the General Fund. During the year, the Town issued no additional debt and retired debt of \$5.9 million.

Town of Apex Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$35.1	\$37.1	\$31.9	\$32.8	\$67.0	\$69.9
Revenue Bonds	-	-	2.9	3.4	2.9	3.4
Installment Purchases	13.4	14.4	19.3	20.8	32.7	35.2
Total	\$ 48.5	\$ 51.5	\$ 54.1	\$ 57.0	\$ 102.6	\$ 108.5

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 Town’s boundaries. The legal debt margin for Apex is \$518 million. However, this statutory limit far exceeds the Town’s realistic debt capacity.

The Town had authorized and unissued debt of \$40 million as of June 30, 2019. Of that amount, \$28 million was for parks and recreational facilities and 12 million for street and sidewalk improvements. Additional information regarding the Town of Apex’s long-term debt can be found in Note 10 of this report beginning on page 58.

Economic Factors and Next Year’s Budgets and Rates

At June 30, 2019, Apex’s population was estimated at 58,135. Single family residential construction was up over 12.3% for the fiscal year compared to the prior year based upon construction value. Construction activity remains strong in the area. The Town’s economic outlook will largely be dependent on the overall national economy.

Employment opportunities are derived from within the Town as well as from Raleigh, the state capital, and RTP, which employs over 50,000 in high-technology fields. In addition, the Raleigh-Durham area also contains several colleges and universities and major health care facilities. These employers have historically been relatively stable and less sensitive to economic downturns. As a result, the unemployment rate has historically been lower than the state and national averages. At year end the rate for Apex was 3.3% versus the statewide rate of 4.4% and the U.S. rate of 3.8%. Because of the highly specialized nature of many of the citizens' employment, income levels in Wake County have also have been historically above the state and national averages.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Funds: The General Fund's budget is \$65 million. The Town's tax base increased from \$6.99 billion at January 1, 2018 to \$7.82 billion at January 1, 2019 as a result of growth. The Town's tax rate remained at 41.5 cents per \$100. Revenues estimates for property taxes are 12% above the prior year budget. Most other revenues were estimated to continue at or slightly below the levels seen during 2018-19. Sales tax collected for the 2018-19 fiscal year were 8.9% higher than the prior year and the budget projects a 6% increase over that amount. The Town's current 2019-20 budget projects construction and development related revenues to be lower than the final figures for 2018-19 contained in this report. There were modest changes in other charges and fees.

The budget includes 34 new positions in the General Fund, 18 of those positions are in public safety and 4 are in public works. Total budgeted revenues were up 11% from the original 2018-19 budget to \$61 million. The adopted budget appropriates \$2.3 million of fund balance.

Proprietary Funds: The Town expects continued growth in the number of customers. Rates for sewer service were increased by 4% and rates for electric services were increased by 1.65%. Revenues in both funds are expected to increase from the prior year and keep pace with increased expenditures. The budget for the Electric Fund is \$43.5 million which is a 9% increase from the original budget adopted in the prior year. The Water and Sewer Fund's budget is at \$23.5 million which is a 10% increase from the original budget adopted in the prior year. Apex remains committed to a number of water and sewer system improvements over the next several years with the Town of Cary. Annually, the Town reviews revised estimates of the costs of these projects and the projected revenues and expenses of the Water and Sewer Fund's to identify that sufficient capital will be available for project completion.

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 Finance Director, Town of Apex, Post Office Box 250, Apex, North Carolina 27502.

BASIC FINANCIAL STATEMENTS

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

	2019		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 58,015,576	\$ 76,741,233	\$ 134,756,809
Taxes receivables (net)	136,392	-	136,392
Accounts receivable (net)	425,067	9,392,932	9,817,999
Due from other governments	4,872,266	-	4,872,266
Internal balances	(26,272)	26,272	-
Prepaid items	203,455	-	203,455
Security deposits	35,100	-	35,100
Inventories	21,339	1,931,238	1,952,577
Restricted cash and cash equivalents	20,438,706	1,485,997	21,924,703
Note receivable	75,000	-	75,000
Capital assets:			
Land, improvements, and construction in progress	111,184,548	62,304,500	173,489,048
Other capital assets, net of depreciation	365,615,185	215,669,464	581,284,649
Total assets	<u>560,996,362</u>	<u>367,551,636</u>	<u>928,547,998</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	2,063,354	405,730	2,469,084
Pension deferrals	6,445,641	1,839,792	8,285,433
Total deferred outflows of resources	<u>8,508,995</u>	<u>2,245,522</u>	<u>10,754,517</u>
LIABILITIES			
Current liabilities:			
Accounts payable	6,358,969	21,376,292	27,735,261
Accrued interest payable	261,644	168,265	429,909
Customer deposits	-	705,451	705,451
Current portion of long-term liabilities	4,212,732	3,286,508	7,499,240
Total current liabilities	<u>10,833,345</u>	<u>25,536,516</u>	<u>36,369,861</u>
Long-term liabilities:			
Due in more than one year	84,497,960	58,922,612	143,420,572
Total liabilities	<u>95,331,305</u>	<u>84,459,128</u>	<u>179,790,433</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes and fees	90,970	-	90,970
OPEB deferrals	1,943,493	382,160	2,325,653
Pension deferrals	206,928	37,358	244,286
Total deferred inflows of resources	<u>2,241,391</u>	<u>419,518</u>	<u>2,660,909</u>
NET POSITION			
Net investment in capital assets	446,503,697	223,903,110	670,406,807
Restricted for:			
Nonexpendable			
Perpetual Care	697,418	-	697,418
Expendable			
Stabilization by State Statute	8,926,329	-	8,926,329
Public Safety	294,254	-	294,254
Construction Management Inspections	1,209,881	-	1,209,881
Unrestricted	14,301,082	61,015,402	75,316,484
Total net position	<u>\$ 471,932,661</u>	<u>\$ 284,918,512</u>	<u>\$ 756,851,173</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

FUNCTIONS/PROGRAMS	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 11,745,656	\$ 5,080,186	\$ -	\$ -	(6,665,470)	\$ -	-	(6,665,470)
Public safety	21,019,198	-	1,607,931	-	(19,411,267)	-	-	(19,411,267)
Public works	18,983,578	219,682	1,257,391	65,813,640	48,307,135	-	-	48,307,135
Environmental protection	4,147,390	4,193,005	-	-	45,615	-	-	45,615
Cultural and recreation	6,394,976	4,538,664	-	138,349	(1,717,963)	-	-	(1,717,963)
Interest on long-term debt	1,510,226	-	-	-	(1,510,226)	-	-	(1,510,226)
Total governmental activities	<u>63,801,024</u>	<u>14,031,537</u>	<u>2,865,322</u>	<u>65,951,989</u>	<u>19,047,824</u>	<u>-</u>	<u>-</u>	<u>19,047,824</u>
Business-type activities:								
Electric	37,017,407	40,806,930	-	-	-	3,789,523	-	3,789,523
Water and Sewer	24,462,359	17,407,409	-	14,231,202	-	7,176,252	-	7,176,252
Total business-type activities	<u>61,479,766</u>	<u>58,214,339</u>	<u>-</u>	<u>14,231,202</u>	<u>-</u>	<u>10,965,775</u>	<u>-</u>	<u>10,965,775</u>
Total	<u>\$ 125,280,790</u>	<u>\$ 72,245,876</u>	<u>\$ 2,865,322</u>	<u>\$ 80,183,191</u>	<u>\$ 19,047,824</u>	<u>\$ 10,965,775</u>	<u>\$ -</u>	<u>\$ 30,013,599</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					29,497,621	-	-	29,497,621
Other taxes								
Local option sales					11,038,256	-	-	11,038,256
Motor vehicle licenses					791,488	-	-	791,488
Miscellaneous					82,208	-	-	82,208
Unrestricted intergovernmental					3,260,783	-	-	3,260,783
Unrestricted investment earnings					1,620,582	1,453,580	-	3,074,162
Miscellaneous					474,460	58,781	-	533,241
Total general revenues					<u>46,765,398</u>	<u>1,512,361</u>	<u>-</u>	<u>48,277,759</u>
Special item: Legal settlement								
Change in net position					(698,574)	(14,658,099)	-	(15,356,673)
					<u>65,114,648</u>	<u>(2,179,963)</u>	<u>-</u>	<u>62,934,685</u>
Net position-beginning of year (as previously stated)								
Adjustment to beginning net position					407,442,424	287,221,257	-	694,663,681
Net position-beginning of year (as restated)					<u>(624,411)</u>	<u>(122,782)</u>	<u>-</u>	<u>(747,193)</u>
					<u>406,818,013</u>	<u>287,098,475</u>	<u>-</u>	<u>693,916,488</u>
Net position-end of year					<u>\$ 471,932,661</u>	<u>\$ 284,918,512</u>	<u>\$ -</u>	<u>\$ 756,851,173</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Recreation Capital Projects		
ASSETS				
Cash and cash equivalents	\$ 38,472,086	\$ 6,643,690	\$ 12,899,800	\$ 58,015,576
Restricted cash	1,504,135	17,313,160	1,621,411	20,438,706
Receivables, net:				
Taxes	60,101	-	76,291	136,392
Accounts	410,064	-	-	410,064
Due from other governments	4,845,506	26,760	-	4,872,266
Due from other funds	66,792	-	-	66,792
Prepaid items	141,576	-	-	141,576
Inventories	21,339	-	-	21,339
Total assets	\$ 45,521,599	\$ 23,983,610	\$ 14,597,502	\$ 84,102,711
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,610,622	\$ 112,377	\$ 220,836	\$ 5,943,835
Deferred inflows of resources:				
Property taxes receivable	64,520	-	-	64,520
Prepaid taxes	13,305	-	-	13,305
Greenway credits	-	-	77,665	77,665
Total deferred inflows of resources	77,825	-	77,665	155,490
Fund balances:				
Nonspendable				
Perpetual care	-	-	697,418	697,418
Prepaid items	141,576	-	-	141,576
Inventories	21,339	-	-	21,339
Restricted				
Stabilization by State Statute	8,926,329	-	-	8,926,329
Public Safety	294,254	-	-	294,254
Construction Management Inspections	1,209,881	-	-	1,209,881
Street improvements	-	-	923,993	923,993
Recreation improvements	-	17,313,160	-	17,313,160
Committed				
Library maintenance	-	-	119,675	119,675
Street improvements	-	-	2,054,812	2,054,812
Recreation improvements	-	6,558,073	-	6,558,073
Public Safety improvements	-	-	2,874,757	2,874,757
Perpetual care	-	-	424,786	424,786
LEO pension obligation	850,255	-	-	850,255
Assigned				
Recreation improvements	-	-	4,303,694	4,303,694
Street improvements	-	-	2,899,866	2,899,866
Subsequent year's expenditures	2,327,200	-	-	2,327,200
Unassigned	26,062,318	-	-	26,062,318
Total fund balances	39,833,152	23,871,233	14,299,001	78,003,386
Total liabilities, deferred inflows of resources and fund balances	\$ 45,521,599	\$ 23,983,610	\$ 14,597,502	\$ 84,102,711

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3

Fund balances-total governmental funds \$ 78,003,386

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

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

Governmental capital assets	\$ 626,978,765	
Less accumulated depreciation	<u>(150,179,032)</u>	476,799,733

Deferred outflows of resources related to pensions are not reported in the funds	6,445,641
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Deferred outflows of resources related to OPEB are not reported in the funds	2,063,354
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Notes receivable are not reported in the funds	75,000
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds

Government bonds and notes payable	(47,208,310)	
Premiums on refunding bonds	(1,324,879)	
Net pension liability LGERS	(7,699,715)	
Net pension liability LEO	(2,560,742)	
OPEB liability	(28,351,955)	
Compensated absences	<u>(1,565,091)</u>	(88,710,692)

An internal service fund is used by the Town to charge the costs of insurance to individual funds. The assets and liabilities of this fund are included in governmental activities in the Statement of Net Position	(396,214)
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Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements	64,518
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Deferred inflows of resources related to pensions are not reported in the funds	(206,928)
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Deferred inflows of resources related to OPEB are not reported in the funds	(1,943,493)
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds

Accrued interest payable	<u>(261,644)</u>
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Net position of governmental activities	<u><u>\$ 471,932,661</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 4

	Major Funds			Total Governmental Funds
	General	Recreation Capital Projects	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 29,525,234	\$ -	\$ -	\$ 29,525,234
Other taxes and licenses	11,120,464	-	790,883	11,911,347
Unrestricted intergovernmental	3,260,783	-	-	3,260,783
Restricted intergovernmental	2,865,322	138,349	10,910	3,014,581
Permits and fees	5,080,026	-	3,669,178	8,749,204
Sales and services	5,282,372	-	-	5,282,372
Investment earnings	817,271	502,612	300,699	1,620,582
Miscellaneous	592,037	-	4,323	596,360
Total revenues	<u>58,543,509</u>	<u>640,961</u>	<u>4,775,993</u>	<u>63,960,463</u>
EXPENDITURES				
Current:				
General government	10,372,330	-	-	10,372,330
Public safety	18,421,390	-	-	18,421,390
Public works	5,891,391	-	2,550	5,893,941
Environmental protection	3,897,747	-	-	3,897,747
Cultural and recreational	4,383,989	-	-	4,383,989
Capital outlay	5,633,864	1,154,566	1,773,852	8,562,282
Debt service:				
Principal	2,903,793	-	-	2,903,793
Interest	1,666,072	-	-	1,666,072
Total expenditures	<u>53,170,576</u>	<u>1,154,566</u>	<u>1,776,402</u>	<u>56,101,544</u>
Excess of revenues over (under) expenditures	<u>5,372,933</u>	<u>(513,605)</u>	<u>2,999,591</u>	<u>7,858,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,465,982	3,251,000	4,849,613	10,566,595
Transfers to other funds	(2,143,900)	(300,000)	(8,122,695)	(10,566,595)
Total other financing sources (uses)	<u>322,082</u>	<u>2,951,000</u>	<u>(3,273,082)</u>	<u>-</u>
SPECIAL ITEM:				
Legal settlement	(698,574)	-	-	(698,574)
Net change in fund balances	4,996,441	2,437,395	(273,491)	7,160,345
Fund balances-beginning of year	<u>34,836,711</u>	<u>21,433,838</u>	<u>14,572,492</u>	<u>70,843,041</u>
Fund balances-end of year	<u>\$ 39,833,152</u>	<u>\$ 23,871,233</u>	<u>\$ 14,299,001</u>	<u>\$ 78,003,386</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 4

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

Net changes in fund balances - total governmental funds		\$ 7,160,345
<p>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.</p>		
Expenditures for capital assets	\$ 8,562,282	
Less current year depreciation	<u>(17,404,747)</u>	(8,842,465)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Developer's contributed capital and donations		65,802,730
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(121,900)
<p>The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Amortization of bond premium	102,468	
Principal payments	2,903,793	
Change in accrued interest payable	<u>53,378</u>	3,059,639
Deferred outflows of resources related to pensions are not reported in the funds		1,710,287
Deferred inflows of resources related to OPEB are not reported in the funds		(274,725)
Benefit payments paid for the LEOSSA are not included on the Statement of Activities		73,580
Net gain of internal service funds determined to be governmental-type		935,686
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in deferred revenues	(27,047)	
Change in compensated absences	(116,976)	
Pension expense LGERS	(2,144,238)	
Pension expense LEO	(263,592)	
OPEB expense	<u>(1,836,676)</u>	<u>(4,388,529)</u>
Total changes in net position of governmental activities		<u>\$ 65,114,648</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Ad valorem taxes	\$ 28,988,700	\$ 28,988,700	\$ 29,525,234	\$ 536,534
Other taxes and licenses	11,075,000	11,075,000	11,120,464	45,464
Unrestricted intergovernmental	2,946,800	2,946,800	3,260,783	313,983
Restricted intergovernmental	2,574,100	2,574,100	2,865,322	291,222
Permits and fees	4,158,200	5,368,200	5,080,026	(288,174)
Sales and services	4,912,900	4,912,900	5,282,372	369,472
Investment earnings	200,400	655,400	815,231	159,831
Miscellaneous	394,800	402,414	592,037	189,623
Total revenues	<u>55,250,900</u>	<u>56,923,514</u>	<u>58,541,469</u>	<u>1,617,955</u>
EXPENDITURES:				
Current:				
General government	12,951,500	14,234,192	11,173,102	3,061,090
Public safety	23,963,900	25,078,179	21,392,111	3,686,068
Public works	7,556,500	8,841,829	6,435,074	2,406,755
Solid Waste	4,004,700	4,217,055	4,085,268	131,787
Cultural and recreation	5,541,000	6,142,296	5,515,156	627,140
Debt service:				
Principal	2,923,800	2,923,800	2,903,793	20,007
Interest and fees	1,700,300	1,683,300	1,666,072	17,228
Total expenditures	<u>58,641,700</u>	<u>63,120,651</u>	<u>53,170,576</u>	<u>9,950,075</u>
Revenues over (under) expenditures	<u>(3,390,800)</u>	<u>(6,197,137)</u>	<u>5,370,893</u>	<u>11,568,030</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	1,887,800	2,465,982	2,465,982	-
Transfer to other funds	(754,400)	(2,456,845)	(2,143,900)	312,945
Contingency	(100,000)	(100,000)	-	100,000
Fund balance appropriated	2,357,400	6,986,574	-	(6,986,574)
Total other financing sources (uses)	<u>3,390,800</u>	<u>6,895,711</u>	<u>322,082</u>	<u>(6,573,629)</u>
SPECIAL ITEM:				
Legal settlement	-	(698,574)	(698,574)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,994,401	<u>\$ 4,994,401</u>
Fund balance - beginning of year			<u>34,730,391</u>	
Fund balance - end of year			39,724,792	
A legally budgeted Fire Capital Reserve fund is consolidated in the General Fund for reporting purposes:				
Investment earnings			2,040	
Fund balance - beginning of year			<u>106,320</u>	
Fund balance - end of year (Exhibit 4)			<u>\$ 39,833,152</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

Exhibit 6

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,921,710	66,819,523	\$ 76,741,233	\$ -
Accounts receivable (net) - billed	4,254,563	1,728,768	5,983,331	15,003
Accounts receivable - unbilled	2,426,801	982,800	3,409,601	-
Due from other funds	9,696	16,576	26,272	-
Inventories	1,680,804	250,434	1,931,238	-
Prepaid items	-	-	-	61,880
Restricted cash and cash equivalents	-	1,485,997	1,485,997	-
Total current assets	<u>18,293,574</u>	<u>71,284,098</u>	<u>89,577,672</u>	<u>76,883</u>
Noncurrent assets:				
Deposit	-	-	-	35,100
Capital assets:				
Land and construction in progress	3,359,723	58,944,777	62,304,500	-
Other capital assets, net of depreciation	36,856,718	178,812,746	215,669,464	-
Capital assets (net of accumulated depreciation)	<u>40,216,441</u>	<u>237,757,523</u>	<u>277,973,964</u>	<u>-</u>
Total noncurrent assets	<u>40,216,441</u>	<u>237,757,523</u>	<u>277,973,964</u>	<u>35,100</u>
Total assets	<u>58,510,015</u>	<u>309,041,621</u>	<u>367,551,636</u>	<u>111,983</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB deferrals	194,636	211,094	405,730	-
Pension deferrals	827,431	1,012,361	1,839,792	-
Total deferred outflows of resources	<u>1,022,067</u>	<u>1,223,455</u>	<u>2,245,522</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,481,260	17,895,032	21,376,292	415,132
Due to other funds	-	-	-	93,065
Customer deposits	705,451	-	705,451	-
Accrued interest payable	13,090	155,175	168,265	-
Bonds and notes payable	535,000	2,488,695	3,023,695	-
Compensated absences	107,299	155,514	262,813	-
Total current liabilities	<u>4,842,100</u>	<u>20,694,416</u>	<u>25,536,516</u>	<u>508,197</u>
Noncurrent liabilities:				
Compensated absences	72,634	88,355	160,989	-
Net OPEB liability	2,528,985	2,823,618	5,352,603	-
Bonds and notes payable	2,342,000	48,705,159	51,047,159	-
Net pension liability	1,061,413	1,300,448	2,361,861	-
Total noncurrent liabilities	<u>6,005,032</u>	<u>52,917,580</u>	<u>58,922,612</u>	<u>-</u>
Total liabilities	<u>10,847,132</u>	<u>73,611,996</u>	<u>84,459,128</u>	<u>508,197</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB deferrals	183,329	198,831	382,160	-
Pension deferrals	18,282	19,076	37,358	-
Total deferred inflows of resources	<u>201,611</u>	<u>217,907</u>	<u>419,518</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	37,339,441	186,563,669	223,903,110	-
Unrestricted	11,143,898	49,871,504	61,015,402	(396,214)
Total net position	<u>\$ 48,483,339</u>	<u>\$ 236,435,173</u>	<u>\$ 284,918,512</u>	<u>\$ (396,214)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 7

	Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Totals	
OPERATING REVENUES				
Charges for services	\$ 36,541,592	16,477,807	\$ 53,019,399	\$ 5,343,655
Water and sewer taps	-	507,825	507,825	-
Other operating revenues	4,265,338	421,777	4,687,115	-
Total operating revenues	<u>40,806,930</u>	<u>17,407,409</u>	<u>58,214,339</u>	<u>5,343,655</u>
OPERATING EXPENSES				
Electric operations	8,304,085	-	8,304,085	-
Electric power purchases	25,984,245	-	25,984,245	-
Water and sewer operations	-	12,253,770	12,253,770	-
Depreciation	2,608,624	10,648,851	13,257,475	-
Health and dental claims	-	-	-	3,626,171
Health and dental administrative fees	-	-	-	781,798
Total operating expenses	<u>36,896,954</u>	<u>22,902,621</u>	<u>59,799,575</u>	<u>4,407,969</u>
Operating income (loss)	<u>3,909,976</u>	<u>(5,495,212)</u>	<u>(1,585,236)</u>	<u>935,686</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	190,305	1,263,275	1,453,580	-
Interest expense	(120,453)	(1,559,738)	(1,680,191)	-
Gain on sale of capital assets	-	58,781	58,781	-
Total nonoperating revenues (expenses)	<u>69,852</u>	<u>(237,682)</u>	<u>(167,830)</u>	<u>-</u>
Income before transfers and contributions	<u>3,979,828</u>	<u>(5,732,894)</u>	<u>(1,753,066)</u>	<u>935,686</u>
Capital contributions	-	14,231,202	14,231,202	-
Legal settlement	-	(14,658,099)	(14,658,099)	-
Change in net position	<u>3,979,828</u>	<u>(6,159,791)</u>	<u>(2,179,963)</u>	<u>935,686</u>
Total net position - beginning of year (as previously stated)	44,562,412	242,658,845	287,221,257	(1,331,900)
Adjustment to beginning net position	(58,901)	(63,881)	(122,782)	-
Total net position - beginning of year (as restated)	<u>44,503,511</u>	<u>242,594,964</u>	<u>287,098,475</u>	<u>(1,331,900)</u>
Total net position - ending	<u>\$ 48,483,339</u>	<u>\$ 236,435,173</u>	<u>\$ 284,918,512</u>	<u>\$ (396,214)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF APEX, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 40,372,847	\$ 17,241,344	\$ 57,614,191	\$ 5,412,893
Cash paid for goods and services	(30,123,247)	(9,137,782)	(39,261,029)	(4,788,205)
Cash paid to or on behalf of employees for services	(3,912,102)	(4,923,625)	(8,835,727)	-
Increase in customer deposits	5,413	-	5,413	-
Net cash provided by operating activities	<u>6,342,911</u>	<u>3,179,937</u>	<u>9,522,848</u>	<u>624,688</u>
NONCAPITAL FINANCING ACTIVITIES				
Legal settlement	-	(99,998)	(99,998)	-
Interfund loan repayment (advances)	70,147	119,920	190,067	(673,278)
Net cash provided (used) by noncapital financing activities	<u>70,147</u>	<u>19,922</u>	<u>90,069</u>	<u>(673,278)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(4,704,238)	(5,878,126)	(10,582,364)	-
Sale of capital assets	-	131,591	131,591	-
Capacity and capital reimbursement fees	-	10,836,812	10,836,812	-
Principal paid on bond maturities and equipment contracts	(516,000)	(2,339,444)	(2,855,444)	-
Interest paid on bond maturities and equipment contracts	(122,801)	(1,614,294)	(1,737,095)	-
Net cash provided (used) by capital and related financing activities	<u>(5,343,039)</u>	<u>1,136,539</u>	<u>(4,206,500)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	190,305	1,263,275	1,453,580	-
Net increase (decrease) in cash and cash equivalents	1,260,324	5,599,673	6,859,997	(48,590)
Balances-beginning of the year	8,661,386	62,705,847	71,367,233	48,590
Balances-end of the year	<u>\$ 9,921,710</u>	<u>\$ 68,305,520</u>	<u>\$ 78,227,230</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 3,909,976	\$ (5,495,212)	\$ (1,585,236)	\$ 935,686
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,608,624	10,648,851	13,257,475	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(434,083)	(166,065)	(600,148)	69,238
Increase in prepaid expenses	-	-	-	(4,525)
(Increase) decrease in inventory	(304,203)	(91,664)	(395,867)	-
Decrease in deferred outflows of resources for pensions	(318,958)	(399,241)	(718,199)	-
Increase in net pension liability	402,800	504,187	906,987	-
Decrease in deferred inflows of resources for pensions	(17,095)	(21,397)	(38,492)	-
Increase (decrease) in accounts payable and accrued liabilities	288,376	(2,044,079)	(1,755,703)	(375,711)
Increase in accrued compensated absences	8,476	28,264	36,740	-
Increase in deferred outflows of resources for OPEB	(136,949)	(146,634)	(283,583)	-
Decrease in deferred inflows of resources for OPEB	(42,800)	(53,851)	(96,651)	-
Increase in net OPEB liability	373,334	416,778	790,112	-
Increase in customer deposits	5,413	-	5,413	-
Total adjustments	<u>2,432,935</u>	<u>8,675,149</u>	<u>11,108,084</u>	<u>(310,998)</u>
Net cash provided (used) by operating activities	<u>\$ 6,342,911</u>	<u>\$ 3,179,937</u>	<u>\$ 9,522,848</u>	<u>\$ 624,688</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ 3,394,390	\$ 3,394,390	\$ -
Acquisition of capital assets through capital contributions	-	(3,394,390)	(3,394,390)	-
Net effect of non-cash contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF APEX, NORTH CAROLINA
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2019**

Exhibit 9

	Other Post- Employment Benefits Trust Fund
ASSETS	
Cash and cash equivalents	\$ 250,000
LIABILITIES	-
NET POSITION	
Restricted for postemployment benefits	\$ 250,000

**TOWN OF APEX, NORTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
June 30, 2019**

Exhibit 10

	Other Post- Employment Benefits Trust Fund
	Trust Fund
ADDITIONS	
Contributions	\$ 250,000
DEDUCTIONS	
	-
Net position, end of year	\$ 250,000

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Apex have been prepared in conformity with generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(a) Reporting Entity

The Town, a political subdivision of Wake County, is a municipal corporation governed by an elected mayor and a five member Town Council. There are no component units which are required to be included in these financial statements.

(b) Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include all the nonfiduciary activities of the overall government. All fiduciary activities are reported only in the fund financial statements. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including the internal service and pension trust 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are from ancillary activities such as investment earnings. In addition, acreage and capacity fees are considered contributed capital and are restricted until used for capital improvements.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state-shared revenues, grants, building permits and fees, refuse collection charges and various other taxes and fees. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services. Additionally, the Town has legally adopted a Fire Capital Reserve Fund. Under GASB 54 guidance the Fire Capital Reserve Fund is consolidated in the General Fund.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The budgetary comparison for the Fire Capital Reserve Fund has been included in the supplemental information.

Recreation Capital Project Fund – The Recreation Capital Project Fund is used to account for financial resources to be used for projects related to the construction or improvement of recreation facilities in the Town.

The Town reports the following major proprietary funds:

Electric Fund – The Electric Fund is used to account for electric operations. The Electric Fund is composed of two sub-funds: Electric Operations and the Electric Substation Project Fund, which are consolidated for financial reporting purposes.

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations. The Water and Sewer Fund is composed of four sub-funds: Water and Sewer Operations, Water and Sewer Project Fund, Wastewater Treatment Plant Project Fund, Water and Sewer Capital Reserve Fund and Water and Sewer HB463 Capital Reserve Fund, which are consolidated for financial reporting purposes.

The Town reports the following nonmajor governmental funds:

Special Revenue Fund – The Eva Perry Library Fund is used to account for resources that are set aside to be used for future specific purposes.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds). The Town has four non-major Capital Project Funds: the Street Improvements Capital Project Fund, the Recreation Capital Project Reserve Fund, the Transportation Capital Project Reserve Fund and the General Capital Projects Fund.

Permanent Fund – The Cemetery Permanent Fund is used to account for perpetual care of the municipal cemetery.

Additionally, the Town reports the following fund types:

Internal Service Fund – The Health and Dental Fund is used to account for health and dental claims of employees and certain retirees.

Trust Fund – Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Other Postemployment Benefits Trust Fund accounts for the Town's contributions for healthcare coverage provided to qualified retirees.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Apex because the tax is levied by Wake County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 is both restricted and unrestricted net position available to finance the program. It

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(d) Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General, special revenue, permanent, capital reserve capital projects and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances, which may cover more than one year, are adopted for the remaining capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's Health and Dental Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund. Any revisions that alter total expenditures of any fund must be approved by the Town Council. During the year several amendments to the original budget became necessary. Material amendments were made to the budget of the General Fund and Water and Sewer Fund to appropriate additional fund balance in support of transportation and utility projects and a legal settlement. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by 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. The Town may also establish time deposits in the form of NOW accounts, Super NOW and money market accounts, and certificates of deposits.

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 banker's acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. 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.

General Statute 159-30.1 allows the Town to establish and fund an irrevocable trust for the purpose of paying post-employment benefits (OPEB) for which the Town is liable. The Town Other Postemployment Benefit (OPEB) Trust was established May 21, 2019 and as of June 30, 2019 had transfers totaling \$250,000 from the General Fund, Electric Fund and the Water and Sewer Fund.

The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs - other than quoted prices - included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2019 of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Certain police and fire safety moneys are classified as restricted because its use is restricted by donors or state and federal law. Money from the sale of cemetery plots is restricted for use in cemetery perpetual care. Unspent inspection funds are also classified as restricted cash because then can be expended only for the purposes outlined in State Statute (G.S. 160A-414). The unexpended bond and note proceeds in the Recreation Capital Project Fund and the Street Improvement Capital Project Fund are classified as restricted assets because their use is completely restricted for the purpose for which the debt was originally issued. Amounts received for Capital Reimbursement fees are restricted until spent for future capital improvements or debt service on existing capital assets.

Restricted assets at June 30, 2019 consist of:

General Fund		
Public Safety	\$	294,254
General Government - Inspections		1,209,881
Street Improvement Capital Project Fund		
Future projects		923,993
Recreation Capital Project Fund		
Future projects		17,313,160
Water and Sewer Capital Reserve Fund		
Capital Reimbursement		1,485,997
Cemetery Fund		
Enviromental Services		<u>697,418</u>
Total Restricted Cash	\$	<u><u>21,924,703</u></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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of the previous January 1st.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Allowances for Doubtful Accounts

An allowance for doubtful accounts is maintained on the ad valorem taxes receivable in the General Fund and on utility receivables in the Electric Fund and the Water and Sewer Fund. This amount is estimated by analyzing the percentage of receivables that are written off in prior years. The direct write-off method is used by the Town on all other types of receivables. Under this method, all accounts considered uncollectible at June 30, 2019 have been charged against operations.

6. Inventories and Prepaid Items

The inventories of the Town are valued at cost (weighted average), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect amounts applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network assets and Water and Sewer, as well as Electric assets that were acquired or received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. Other costs incurred for repairs and maintenance is expensed as incurred. Capital assets are depreciated on a straight-line basis as follows:

<u>Item</u>	<u>Life</u>
Infrastructure	30 years
Vehicles and Motorized Equipment	3-10 years
Electric, Water and Sewer Systems	30-40 years
Buildings and Improvements	10-30 years
Land improvements	10 to 33 years
Equipment and Furniture	5 to 8 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and other post-employment benefits (OPEB) deferrals for the 2019 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 has three items that meets the criterion for this category – prepaid taxes, pension and OPEB deferrals.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

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

10. Compensated Absences

The vacation policy of the Town allows employees to carry forward each December 31 of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Town's policy for compensatory time provides for an unlimited accumulation of earned compensatory time, which is vested. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time 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 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 purposes. Since the Town has no obligation for the 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 is classified as invested in net capital assets, restricted, and unrestricted. Restricted net position represent 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.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cemetery perpetual care – Cemetery resources that are required to be retained in perpetuity for maintenance of the cemetery.

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance

This classification includes amounts of fund balance restricted by or subject to externally enforceable legal restrictions, including, but not limited to creditors, grantors, contributors, or other governments through enabling legislation.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Restricted for inspections – *Inspection portion of fund balance that is restricted by State Statute [G.S. 160A-414].*

Restricted for street improvements – portion of fund balance is unexpended debt proceeds and restricted until used for capital improvement for which the debt was issued.

Restricted for recreation improvements – portion of fund balance is unexpended debt proceeds and restricted until used for capital improvement for which the debt was issued.

Committed Fund Balance

This classification includes amounts of fund balance that can only be used for specific purposes imposed by a resolution approved by majority vote of a quorum of the Town of Apex's Town Council (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.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed for cemetery perpetual care – portion of fund balance committed by the Council for maintenance of the cemetery.

Committed for street improvements – portion of fund balance committed by the Council for street capital improvements.

Committed for recreation improvements – portion of fund balance committed by the Council for recreational capital improvements.

Committed for public safety improvements – portion of fund balance committed by the Council for general capital improvements.

Committed for library maintenance – portion of fund balance committed by the Council for Perry Library expenditures.

Committed for LEO pension obligation – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

Assigned Fund Balance

This classification includes amounts of fund balance that reflect a government's intended use of resources. Assignments are created, amended, or eliminated by the Town Council through budget ordinances or amendments to previously approved budget ordinances.

Assigned for recreation improvements – portion of fund balance budgeted by the Council for recreation capital improvements.

Assigned for street improvements - portion of fund balance that has been budgeted by the Council for street improvements.

Assigned for subsequent years expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance

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

The Town has adopted a minimum fund balance policy for the General Fund which states unassigned fund balance will be at least 25% of expenditures. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed by committed, then assigned, and lastly unassigned. For programs with multiple revenue sources, the Town uses the following hierarchy; bond proceeds first, then federal funds, State funds, local non-town funds, and finally Town funds. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

Defined Benefit Pension and OPEB Plans

The Town participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

defined benefit pension plans”), and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB’s fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

Note 2 – DEPOSITS AND INVESTMENTS

Deposits - All of the Town’s deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town’s agent in the Town’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agent in the Town’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount 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, 2019, the carrying amount of the Town’s deposits was \$51,269,335 and the bank balance was \$51,920,021. Of the bank balance, \$1,262,846 was covered by Federal depository insurance and \$50,657,175 was covered by collateral held under the pooling method. At June 30, 2019, the Town had \$1,725 of petty cash on hand.

Investments – at June 30, 2019, the Town’s investments consisted of the following:

Investments by Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 49,922,718	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value Level 1	55,737,734	.11 Years	Unrated
Total		<u>\$ 105,660,452</u>		

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 2 – DEPOSITS AND INVESTMENTS (continued)

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 valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The Town has a policy limiting its exposure to fair value losses arising from increasing interest rates by limiting maturities of investments to three years or less from the date of purchase.

Credit Risk: The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investment to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible rating whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAM by Standard and Poor’s as of June 30, 2019. 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.

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town’s name.

Note 3 – RECEIVABLES - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amounts shown on the Balance Sheet and the Statement of Net Position for receivables for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Fund	Allowance for Uncollectible:	
General Fund	Property Taxes receivable	\$ 103,475
Electric Fund	Utility Receivables	55,879
Water and Sewer Fund	Utility Receivables	24,200
	Total	\$ 183,554

The Town entered into a loan agreement with Capital Area Preservation, Inc. (CAP) on September 9, 2015 for the purpose of establishing a loan with CAP for the preservation of a historical house in the amount is \$75,000. The loan is a period of two years, with an extension for an additional one year at the sole discretion of the Town and is payable and due at the end of the loan term or upon sale of the property to a third party, whichever comes first. The loan is non-interest bearing for the initial term of the loan and if the loan is still outstanding, then interest shall accrue at four percent per year.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 93,230,085	\$ 11,317,130	\$ -	\$ 104,547,215
Construction in progress	3,928,586	2,956,917	248,170	6,637,333
Total capital assets not being depreciated	<u>97,158,671</u>	<u>14,274,047</u>	<u>248,170</u>	<u>111,184,548</u>
Capital assets being depreciated:				
Buildings	47,611,241	833,279	-	48,444,520
Other improvements	389,832,246	55,477,910	-	445,310,156
Equipment and furniture	6,969,668	1,604,107	86,510	8,487,265
Vehicles and motorized equipment	11,422,403	2,423,839	293,966	13,552,276
	<u>455,835,558</u>	<u>60,339,135</u>	<u>380,476</u>	<u>515,794,217</u>
Less accumulated depreciation for:				
Buildings	17,931,273	1,574,309	-	19,505,582
Other improvements	103,781,314	14,087,379	-	117,868,693
Equipment and furniture	3,605,113	561,887	64,024	4,102,976
Vehicles and motorized equipment	7,715,162	1,181,173	194,554	8,701,781
Total accumulated depreciation	<u>133,032,862</u>	<u>\$ 17,404,748</u>	<u>\$ 258,578</u>	<u>150,179,032</u>
Total capital assets being depreciated, net	<u>322,802,696</u>			<u>365,615,185</u>
Governmental activity capital assets, net	<u>\$ 419,961,367</u>			<u>\$ 476,799,733</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 925,606
Public safety	1,544,419
Public works	12,882,944
Environmental protection	200,895
Cultural and recreational	1,850,884
Total	<u>\$ 17,404,748</u>

TOWN OF APEX, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 4 – CAPITAL ASSETS (continued)

Business activities	Beginning			Ending
ELECTRIC FUND	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 2,798,614	\$ 28,394	\$ -	\$ 2,827,008
Construction in progress	42,715	490,000	-	532,715
Total capital assets not being depreciated	<u>2,841,329</u>	<u>518,394</u>	<u>-</u>	<u>3,359,723</u>
Capital assets being depreciated:				
Utility improvements	51,353,133	3,701,444	-	55,054,577
Building and land improvements	6,780,804	-	-	6,780,804
Equipment and furniture	976,109	128,750	-	1,104,859
Vehicles and motorized equipment	2,235,528	355,650	-	2,591,178
Total capital assets being depreciated	<u>61,345,574</u>	<u>4,185,844</u>	<u>-</u>	<u>65,531,418</u>
Less accumulated depreciation for:				
Utility improvements	21,069,330	1,732,758	-	22,802,088
Building and land improvements	2,467,401	636,944	-	3,104,345
Equipment and furniture	753,980	47,806	-	801,786
Vehicles and motorized equipment	1,775,365	191,116	-	1,966,481
Total accumulated depreciation	<u>26,066,076</u>	<u>2,608,624</u>	<u>-</u>	<u>28,674,700</u>
Total capital assets being depreciated, net	<u>35,279,498</u>	<u>\$ 1,577,220</u>	<u>\$ -</u>	<u>36,856,718</u>
Capital assets, net	<u>\$ 38,120,827</u>			<u>\$ 40,216,441</u>
WATER AND SEWER FUND	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 50,258,162	\$ 2,072,289	\$ -	\$ 52,330,451
Construction in progress	3,127,558	3,486,768	-	6,614,326
Total capital assets not being depreciated	<u>53,385,720</u>	<u>5,559,057</u>	<u>-</u>	<u>58,944,777</u>
Capital assets being depreciated:				
Utility improvements	262,128,306	3,001,286	72,057	265,057,535
Building and land improvements	8,280,776	62,498	-	8,343,274
Intangibles	3,490,000	-	-	3,490,000
Equipment and furniture	2,651,710	330,377	180,439	2,801,648
Vehicles and motorized equipment	2,675,775	319,297	127,102	2,867,970
Total capital assets being depreciated	<u>279,226,567</u>	<u>3,713,458</u>	<u>379,598</u>	<u>282,560,427</u>
Less accumulated depreciation for:				
Utility improvements	85,325,920	9,901,735	60,404	95,167,251
Building and land improvements	1,237,716	271,616	-	1,509,332
Intangibles	3,490,000	-	-	3,490,000
Equipment and furniture	1,683,725	175,398	119,282	1,739,841
Vehicles and motorized equipment	1,668,258	300,102	127,103	1,841,257
Total accumulated depreciation	<u>93,405,619</u>	<u>10,648,851</u>	<u>306,789</u>	<u>103,747,681</u>
Total capital assets being depreciated, net	<u>185,820,948</u>	<u>\$ (6,935,393)</u>	<u>\$ 72,809</u>	<u>178,812,746</u>
Capital assets, net	<u>\$ 239,206,668</u>			<u>\$ 237,757,523</u>

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 4 – CAPITAL ASSETS (continued)

Construction Commitments

At June 30, 2019, the Town had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
Street Improvements Projects	\$ 3,790,322	\$ 233,565
Recreation Capital Projects	2,437,005	1,798,563
Wastewater Treatment Plant Projects	154,592	951,068
Water/Sewer Capital Projects	6,459,734	968,998
Electric Substation Capital Project	532,715	210,000

Note 5 – PENSION PLAN OBLIGATIONS

(a) Local Governmental Employees' Retirement System

1. Plan Description

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Apex 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 Apex's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Apex were \$2,136,423 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$10,061,576 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.42412%, which was an increase of 0.02275% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$2,768,153. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,552,262	\$ 52,086
Changes of assumptions	2,669,954	-
Net difference between projected and actual earnings on pension plan investments	1,381,155	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	74,425	77,503
Town contributions subsequent to the measurement date	2,136,423	-
Total	\$ 7,814,219	\$ 129,589

\$2,136,423 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, before the fiscal year end, will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:

2020	\$ 2,657,586
2021	1,735,755
2022	334,354
2023	820,512
Total	\$ 5,548,207

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent	
Salary increases	3.5 percent	
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation	

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

The actuarial assumptions used in the December 31, 2017 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.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 24,168,779	\$ 10,061,576	\$ (1,726,622)

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

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

(b) Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Apex 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 increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>78</u>
Total	<u><u>80</u></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. At June 30, 2019, \$850,255 of committed net position was available to pay Separation Allowance obligations.

3. Actuarial Assumptions

The entry age normal method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.64 percent	
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor	
Includes inflation at	2.50 percent	

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The 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 \$147,161 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$2,560,742. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 30, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$263,592.

At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 296,495	\$ -
Changes of assumptions	101,139	114,697
Town benefit payments and administrative costs subsequent to the measurement date	73,580	-
Total	\$ 471,214	\$ 114,697

\$73,580 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

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

Year ended June 30:	
2020	\$ 55,119
2021	55,119
2022	55,119
2023	58,077
2024	46,920
Thereafter	12,583
Total	\$ 282,937

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 3.64%, as well as what the Town’s total

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 2,781,609	\$ 2,560,742	\$ 2,358,821

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.

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

Beginning balance	\$	2,248,394
Service cost		138,637
Interest on total pension liability		69,277
Difference between expected and actual experience		320,220
Changes of assumptions or other inputs		(103,589)
Benefit payments		(112,197)
Ending balance of the total pension liability	\$	2,560,742

The actuarial assumptions used in the December 31, 2017 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:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 2,768,153	\$ 263,592	\$ 3,031,745
Pension Liability	10,061,576	2,560,742	12,622,318
Proportionate share of the net pension liability	.42412%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,552,262	296,495	1,848,757
Changes of assumptions	2,669,954	101,139	2,771,093
Net difference between projected and actual earnings on plan investments	1,381,155	-	1,381,155
Changes in proportion and differences between contributions and proportionate share of contributions	74,425	-	74,425
Benefit payments and administrative costs paid subsequent to the measurement date	2,136,423	73,580	2,210,003
Deferred Inflows of Resources			
Differences between expected and actual experience	52,086	-	52,086
Changes of assumptions	-	114,697	114,697
Changes in proportion and differences between contributions and proportionate share of contributions	77,503	-	77,503

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 5 – PENSION PLAN OBLIGATIONS (continued)

(d) Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description

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

2. 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. The Town made contributions of \$251,274 for the reporting year.

(e) Supplemental Retirement Income Plan for all Other Employees

All other employees of the Town (excludes Law Enforcement Officers) are members of the Town's 401(k) plan, a defined contribution pension plan as described above. Participation begins six months after the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Town contributes each month an amount equal to five percent of eligible employees' salary. The Town made contributions of \$1,094,965 for the reporting year.

Note 6 – OTHER POST EMPLOYMENT BENEFIT

Healthcare Benefits

1. Plan Description

The Town administers a single-employer defined healthcare benefit (HCB) plan to cover retirees of the Town who participate in the North Carolina Local Government Employees' Retirement System and have met the minimum 15 year service requirement with the Town. Employees who have 15-19 years of service at retirement will receive 50% of the benefits. Employees with 20-24 years of continuous creditable service with the Town will receive 75% of the benefits and those who have 25 or more years of continuous creditable service with the Town at the time of their retirement will receive full benefits. The Town's retirees can also purchase coverage for their dependents at the Town's group rates as long as they had dependent coverage at the time of retirement. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6 – OTHER POST EMPLOYMENT BENEFIT (continued)

<u>Retired Employees' Years of Creditable Service</u>	<u>Coverage Offered</u>
Less than 15 years	Not eligible for coverage
15 – 20 years	50% employee coverage
20 – 24 years	75% employee coverage
25+ years	100% employee coverage

2. Plan Membership

At June 30, 2017, the date of the last actuarial valuation (used in these calculations), membership of the plan consisted of the following:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	32	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	360	85
Total	392	89

3. Benefits Provided

The HCB Plan provides healthcare benefits for retirees. The Town pays the full cost of post retirement health insurance for qualified retirees until the earlier of age 65, covered under Medicare coverage, or covered under another individual insurance plan. The Town is insured through private insurers. Post-retirement spouse and dependent coverage is allowed under the plan, provided the monthly cost is paid by the retiree, and is only provided to spouse and dependents covered at the time of the employee's retirement and continues until the earlier of the death of the retiree or the date the retiree reaches age 65. Below are coverages based in creditable services under the Plan.

<u>Retired Employees' Years of Creditable Service</u>	<u>Coverage Offered</u>
Less than 15 years	Not eligible for coverage
15 – 20 years	50% employee coverage
20 – 24 years	75% employee coverage
25+ years	100% employee coverage

4. Contributions

The Town Council established the contribution requirements of plan members, which may be amended by the Council. Per a Town resolution, the Town is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Council, effective October 21, 2008. For the current year, the Town made total contributions of \$692,864 to the plan. The Fund is accounted for as a trust fund.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6 – OTHER POST EMPLOYMENT BENEFIT (continued)

5. Investment Policy

The HCB Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Town Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan’s discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are values at fair value. The following was the Council’s adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u> <u>2019</u>	<u>Long-Term Expected Real</u> <u>Rate of Return</u> <u>2019</u>
Bond Index Fund	40.0%	4.00%
Equity Index Fund	60.0%	4.00%
Total	100.0%	

6. Rate of Return

For the year ended June 30, 2019, the annual money weighted rate of return on investments, net of investment expense, was 0.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Because the trust for the HCB Plan was established on June 30, 2019, there was no return on the investments at fiscal year end. Investment return data for the notes and RSI will be available in future reports.

The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

Total OPEB Liability	\$ 33,954,558
Plan fiduciary net position	250,000
Town’s net OPEB Liability	\$ 33,704,558
Plan fiduciary net position as a Percentage of the total OPEB liability	0.74%

7. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	4.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.75 percent decreasing to an ultimate rate of 5.00% by 2022

The total OPEB liability was rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for age 78 and older. For law enforcement officers, rates are adjusted by 104% for males and 100% for females.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6 – OTHER POST EMPLOYMENT BENEFIT (continued)

The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented above.

8. Discount Rate

The discount rate used to measure the total OPEB liability June 30, 2019 was 3.50 percent. The projection of cash flows used to determine the discount rate assumed that the Town will contribute \$350,000 annually to the plan.

9. Sensitivity of the Net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town at June 30, 2019, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50 percent)	Discount Rate (3.50 percent)	1% Increase (4.50 percent)
Net OPEB liability	\$ 41,547,949	\$ 33,704,558	\$ 27,725,557

10. Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town at June 30, 2019, as well as what the Town's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current healthcare cost trend rate:

	1% Decrease (6.75 percent decreasing to 4 percent)	Healthcare cost Trend Rate (7.75 Percent decreasing to 5 percent)	1% Increase (8.75 Percent decreasing to 6 percent)
Net OPEB liability	\$ 26,336,962	\$ 33,704,558	\$ 43,862,782

11. Changes in Net OPEB Liability

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019 the Town reported a net OPEB liability of \$33,704,558. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6 – OTHER POST EMPLOYMENT BENEFIT (continued)

At June 30, 2019, the components of the net OPEB liability of the City, measured as of June 30, 2019, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2018 adjusted for change in valuation date	\$ 28,787,250	\$ -	\$ 28,787,250
Changes for the Year:			
Service cost	1,833,733	-	1,833,733
Interest	1,111,292	-	1,111,292
Differences between Expected and Actual experience	143,860	-	143,860
Changes of assumptions	2,521,287	-	2,521,287
Contributions	-	692,864	(692,864)
Benefit Payments	(442,864)	(442,864)	-
Net Changes	5,167,308	250,000	4,917,308
Balances at June 30, 2019	\$ 33,954,558	\$ 250,000	\$ 33,704,558

12. Changes of Assumptions

Changes of assumptions and other inputs reflect a change in the discount rate from 3.89 percent in 2018 to 3.50 percent in 2019.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$2,879,154. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 204,839	\$ -
Changes of assumptions	2,260,284	2,325,653
Net difference between projected and actual earnings on plan investments	3,961	-
Total	\$ 2,469,084	\$ 2,325,653

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (60,920)
2021	(60,920)
2022	(60,920)
2023	(60,919)
2024	(61,910)
Thereafter	449,020

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 6 – OTHER POST EMPLOYMENT BENEFIT (continued)

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

Note 7 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred outflows of resources at year-end are comprised of the following:

LGERS pension	
Contributions to pension plan in the current fiscal year	\$ 2,136,423
Differences between expected and actual experience	1,552,262
Changes of assumptions	2,669,954
Net difference between projected and actual earnings	1,381,155
Changes in proportion and differences between contributions and proportionate share of contributions	74,425
LEO pension	
Benefit payments made and administrative expenses	73,580
Differences between expected and actual experience	296,495
Changes of assumptions	101,139
OPEB	
Differences between expected and actual experience	204,839
Net difference between projected and actual earnings	3,961
Changes of assumptions	2,260,284
Total deferred outflows of resources	<u>\$ 10,754,517</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 13,305	\$ 13,305
Taxes receivable (General Fund)	-	64,520
Greenway credits (Recreation Capital Reserve)	77,665	77,665
Differences between expected and actual experiences-LGERS	52,086	-
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	77,503	-
Changes in assumptions-LEO	114,697	-
Changes of assumptions-OPEB	2,325,653	-
Total deferred inflows of resources	<u>\$ 2,660,909</u>	<u>\$ 155,490</u>

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$100,000. The payroll specialist is bonded for \$10,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$50,000. Other risks are mitigated through various means as detailed below.

Workers' Compensation - The Town is a participant in an insurance pool administered by the North Carolina League of Municipalities. This pool is self-sustaining through member premiums and has reinsured through commercial companies for claims in excess of the amounts covered through the pool. The Town retains a portion of the risk through deductibles up to \$25,000.

Property and general liability – The Town maintains commercial insurance with deductibles up to \$25,000. 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.

Health and Dental Claims – The Town self-funds health and dental coverage for all permanent employees. Employees can add dependents to this coverage by paying a portion of the premium. All claims are administered by a third party, BlueCross and BlueShield of North Carolina. As of June 30, 2019, a reserve of \$271,000 for health and dental was calculated for claims incurred but not reported and items reported but not paid. This total liability is expected to be paid within the next fiscal year. Settlements have not exceeded coverages for the past three fiscal years. Changes in the balances of claims liabilities during the past three years are as:

	Health Claims	Dental Claims	Total
Balance-June 30, 2016	\$ 287,168	\$ 28,511	\$ 315,679
Claims reported and changes in estimates for FY 2017	3,563,145	359,970	3,923,115
Claims paid in FY 2017	<u>(3,482,805)</u>	<u>(351,456)</u>	<u>(3,834,261)</u>
Balance-June 30, 2017	367,508	37,025	404,533
Claims reported and changes in estimates for FY 2018	4,673,079	383,155	5,056,234
Claims paid in FY 2018	<u>(4,479,741)</u>	<u>(376,974)</u>	<u>(4,856,715)</u>
Balance-June 30, 2018	560,846	43,206	604,052
Claims reported and changes in estimates for FY 2019	3,018,251	274,868	3,293,119
Claims paid in FY 2019	<u>(3,308,097)</u>	<u>(318,074)</u>	<u>(3,626,171)</u>
Balance-June 30, 2019	<u>\$ 271,000</u>	<u>\$ -</u>	<u>\$ 271,000</u>

Note 9 – CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Note 10 – LONG-TERM DEBT

(a) General Obligation Bonds

The Town's general obligation bonds serviced by the governmental funds were issued for the acquisition of parks and recreation facilities and construction of streets and sidewalks. Those general obligation bonds issued

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10 – LONG-TERM DEBT (continued)

to finance the construction of facilities utilized in the operations of the water and sewer systems and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

Serviced by the General Fund:

\$1,105,000 April 17, 2018 Parks and Recreational Facility refunding bonds due in annual installments of varying from \$100,000 to \$115,000 through June 1, 2028 plus interest at 5.0%.	\$ 1,005,000
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\$23,000,000 April 27, 2018 Public Improvement serial bonds, due in annual installments of varying amounts from \$540,000 to \$1,905,000 through June 1, 2038 interest at varying rates from 3.0-5.0%.	22,380,000
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\$6,500,000 June 25, 2009 Street and Sidewalk Improvements serial bonds, due in annual installments of varying amounts from \$305,000 to \$330,000 through June 1, 2029, interest at varying rates from 3.0-4.125%.	3,250,000
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\$4,670,000 March 26, 2013 Parks and Recreation refunding bonds, due in annual installments of varying amounts from \$15,000 to \$515,000 through February 1, 2025, interest at varying rates from 2.0-3.0%.	2,980,000
--	-----------

\$6,000,000 March 26, 2013 Parks and Recreational serial bonds, due in annual installments of \$300,000 through February 1, 2033, interest at varying rates from 2.0-5.0%.	4,200,000
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Serviced by the Water and Sewer Fund:

\$35,000,000 June 19, 2012 Wastewater System, Series 2012 due in annual installments of varying amounts from \$685,000-\$2,740,000 through June 1, 2037, interest at varying rates from 2.0-5.0%.	30,555,000
	\$ 64,370,000

At June 30, 2019 the Town of Apex had a legal debt margin of \$518,050,618.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10 – LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for general obligation bonds at June 30, 2019 are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,775,000	\$ 1,162,013	\$ 915,000	\$ 1,106,875
2021	1,780,000	1,095,150	980,000	1,061,125
2022	1,780,000	1,027,532	1,045,000	1,041,525
2023	1,780,000	959,000	1,115,000	1,020,625
2024	1,790,000	897,913	1,185,000	976,025
2025-2029	8,305,000	3,517,525	7,260,000	4,078,825
2030-2034	8,985,000	2,064,545	9,835,000	2,695,475
2035-2038	7,620,000	611,982	8,220,000	582,250
Total	\$ 33,815,000	\$ 11,335,660	\$ 30,555,000	\$ 12,562,725

(b) Installment Notes

The Town's installment notes outstanding at June 30, 2019 are as follows:

Serviced by the General Fund:

\$6,000,000 installment obligation with BB&T due in semi-annual installments of \$209,897 principal plus interest at 2.51% through 2032 secured by land. \$ 5,379,310

\$6,424,000 installment obligation to the Bank of North Carolina due in annual installments of varying amounts from \$410,800 to \$661,219 through 2028 plus interest of 2.7% secured by land and buildings. 3,934,000

\$4,500,000 installment obligation to the Bank of North Carolina due in annual installments of varying amounts from \$125,000 to \$340,000 through 2031 secured by land and buildings. 4,080,000

Serviced by the Water and Sewer Fund:

\$1,159,825 installment obligation to the Town of Cary for the Regional Wastewater Treatment Plant due in annual installments of \$57,991 through 2027 plus interest of 2.205%, secured by land. 461,658

\$8,045,000 installment obligation to the Bank of America for Water and Sewer Improvements due in annual installments of varying amounts from \$410,800 to \$661,219 through 2028 plus interest of 2.7%, secured by water improvements. 5,506,000

\$355,059 installment obligation to the Town of Cary for the Regional Wastewater Treatment Plant due in annual installments of \$17,753 through 2031. plus interest of 2.205%, secured by land. 213,036

\$ 19,574,004

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10 – LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for installment notes at June 30, 2019 are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,225,793	\$ 349,618	\$ 624,459	\$ 163,538
2021	1,217,793	317,240	638,459	147,051
2022	1,208,793	285,078	654,459	130,187
2023	1,200,793	253,158	669,458	112,890
2024	1,190,793	221,455	685,458	95,188
2025-2029	5,427,965	640,477	2,872,880	195,998
2030-2032	1,921,380	82,272	35,521	1,173
Total	\$ 13,393,310	\$ 2,149,298	\$ 6,180,694	\$ 846,025

(c) Revolving Fund Loans

The Town has a promissory notes issued by the North Carolina Department of Environment, Health, and Natural Resources for the construction of a regional wastewater treatment plant and for water system improvements. Future revenues of the sanitary sewer system and the water system collateralize the notes. These debts are recorded as long-term debt in the water and sewer fund with principal and interest requirements appropriated when due.

The Town’s promissory notes outstanding at June 30, 2019 are as follows:

Serviced by the Water and Sewer Fund:

\$17,500,000 promissory note issued for the construction of a regional wastewater treatment plant. Future revenues of the sanitary sewer system collateralize the note due in annual installments of \$875,000 beginning May 1, 2015 through May 1, 2034 plus interest at 2.22% \$ 13,125,000

Annual debt service requirements to maturity for promissory notes at June 30, 2019 are as follow:

Year Ending June 30:	Principal	Interest
2020	\$ 875,000	\$ 291,375
2021	875,000	271,950
2022	875,000	252,525
2023	875,000	233,100
2024	875,000	213,675
2025-2029	4,375,000	777,000
2030-2034	4,375,000	291,375
Total	\$ 13,125,000	\$ 2,331,000

(d) Revenue Bond

\$7,300,000 Electric Revenue Bond, Series 2009, issued for electrical system improvements, due in annual installments of varying amounts from \$375,000 to \$617,000 through 2024, interest at 3.62%. \$ 2,877,000

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10 – LONG-TERM DEBT (continued)

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of the Electric Revenue Bonds, Series 2009, since its adoption in 2009. Section 704(a) of the Bond Order requires that income available for debt service plus 15% of Electric Fund Unrestricted Net position as of the last day of the prior fiscal year will not be less than 120% of the long term debt service requirement for the current fiscal year.

The debt service requirement coverage ratio calculation for the year ended June 30, 2019 is as follows:

Current revenues	\$ 40,997,235
Current expenses	34,094,385
Subtotal	6,902,850
15% of Unrestricted Net Position, 6-30-18	1,475,188
Income available for debt service	\$ 8,378,038
Debt service, principal and interest	
Paid (Revenue Bond only)	\$ 638,801
Debt Service Coverage Ratio	1,312%

Per rate covenants, current expenses do not include depreciation expense of \$2,608,624, debt service interest of \$120,453 and the increase in other post-employment benefits of \$193,885.

The Town has pledged future electric customer revenues, net of specified operating expenses, to repay \$7,300,000 in electric system revenue bonds issued in May 2009. Proceeds from the bonds provided financing for electrical system improvements. The bonds are payable solely from electric customer net revenues and are payable through 2024. The total principal and interest remaining to be paid on the bonds is \$3,196,825. Principal and interest paid for the current year and the income available for debt service was \$638,801 and \$8,322,435 respectively.

Annual debt service requirements to maturity for the revenue bond at June 30, 2019 are as follows:

Year Ending June 30:	Principal	Interest
2020	\$ 535,000	\$ 104,147
2021	555,000	84,780
2022	575,000	64,689
2023	595,000	43,874
2024	617,000	22,335
Total	\$ 2,877,000	\$ 319,825

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 10 – LONG-TERM DEBT (continued)

(f) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning			Ending Balance	Amounts Due Within One Year
	Balance	Increases	Decreases		
Governmental activities:					
General obligation bonds	\$ 35,675,000	\$ -	\$ 1,860,000	\$ 33,815,000	\$ 1,775,000
Plus deferred premium	1,427,347	-	102,468	1,324,879	102,468
Total bonds payable	37,102,347	-	1,962,468	35,139,879	1,877,468
Installment notes	14,437,103	-	1,043,793	13,393,310	1,225,793
Compensated absences	1,448,115	1,143,524	1,026,548	1,565,091	1,109,471
Net pension liability (LGERS)	4,676,947	4,659,855	1,637,087	7,699,715	-
Net pension liability (LEO)	2,248,394	424,545	112,197	2,560,742	-
Net OPEB liability	24,224,759	4,688,286	561,090	28,351,955	-
Governmental activity long-term liabilities	<u>\$ 84,137,665</u>	<u>\$ 10,916,210</u>	<u>\$ 6,343,183</u>	<u>\$ 88,710,692</u>	<u>\$ 4,212,732</u>
Business-type activities:					
General obligation bonds	\$ 31,410,000	\$ -	\$ 855,000	\$ 30,555,000	\$ 915,000
Plus deferred premium	1,407,396	-	74,236	1,333,160	74,236
Total bonds payable	32,817,396	-	929,236	31,888,160	989,236
Installment notes	20,790,138	-	1,484,444	19,305,694	1,499,459
Revenue bond	3,393,000	-	516,000	2,877,000	535,000
Compensated absences	387,062	276,474	239,734	423,802	262,813
Net pension liability (LGERS)	1,454,875	1,406,324	499,338	2,361,861	-
Net OPEB liability	4,562,491	921,886	131,774	5,352,603	-
Business-type activity long-term liabilities	<u>\$ 63,404,962</u>	<u>\$ 2,604,684</u>	<u>\$ 3,800,526</u>	<u>\$ 62,209,120</u>	<u>\$ 3,286,508</u>

Compensated absences, other post-employment benefits and net pension obligation for governmental activities typically have been liquidated in the General Fund.

Note 11 – NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-type
Capital assets	\$ 476,799,733	\$ 277,973,964
Less: Long-term debt	(30,296,036)	(54,070,854)
Net investment in capital assets	<u>\$ 446,503,697</u>	<u>\$ 223,903,110</u>

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 12 – FUND BALANCE

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

Total fund balance-General Fund	\$	39,833,152
Less:		
Inventories		(21,339)
Prepaid items		(141,576)
Stabilization by State Statute		(8,926,329)
Restricted for Public Safety		(294,254)
Restricted for Construction Management Inspections		(1,209,881)
Committed for LEO pension obligation		(850,255)
Assigned for subsequent year's expenditures		(2,327,200)
Remaining fund balance	\$	<u>26,062,318</u>

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	\$	3,608,386
Encumbrances – Electric Fund		321,994
Encumbrances – Water and Sewer Fund		359,146

Note 13 – INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to General Fund by the Internal Service Fund	\$	66,792
Due to Electric Fund by the Internal Service Fund		9,696
Due to Water and Sewer Fund by the Internal Service Fund		16,576

The Internal Service Fund balances are the result of health claims and administrative costs exceeding transfers into the Fund.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 13 – INTERFUND BALANCES AND ACTIVITY (continued)

A summary of interfund transfers follows:

From Fund	To Fund	Amount	Purpose
General Fund	Street Improvements Project Fund	\$ 174,400	Fund improvements
General Fund	General Capital Projects Fund	1,969,500	Fund improvements
Recreation Capital Project Fund-Capital Reserve	General Fund	1,872,408	Fund improvements
Recreation Capital Project Fund-Capital Reserve	Recreation Capital Projects Fund	3,251,000	Fund improvements
Transportation Capital Project Fund-Capital Reserve	General Fund	293,574	Fund improvements
Transportation Capital Project Fund-Capital Reserve	Street Improvements Project Fund	555,522	Fund improvements
Water/Sewer Capital Reserve Fund	Water/Sewer Fund	15,597,073	Fund legal settlement
Water/Sewer Capital Reserve Fund	Water/Sewer Project Fund	1,314,750	Fund improvements
Water/Sewer HB463 Capital Reserve Fund	Water/Sewer Fund	4,197,850	Fund improvements
Street Improvement Project Fund	Transportation Capital Project Fund-Capital Reserve	2,150,191	Close capital project
Recreation Capital Project Fund	General Fund	300,000	Close capital project
Electric Fund	Electric Substation Capital Project	1,200,000	Fund improvements
Water/Sewer Fund	Water/Sewer Project Fund	2,315,225	Fund improvements

Note 14 – JOINTLY GOVERNED ORGANIZATION

The Town is a member of the North Carolina Eastern Municipal Power Agency (the “Agency”). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities through the Agency. The Town receives power from the Agency and is contractually allocated a .7056% interest in the Agency, with the balance being shared by the thirty-two (32) other local governments. Each participating government appoints one commissioner to the Agency’s governing board. The Town is obligated to purchase all of its power supply requirements from the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town’s gross purchases of power for the fiscal year ended June 30, 2019 were \$25,984,245.

On July 31, 2015, the Agency completed the sale of most of its electricity generating assets to Duke Energy. These proceeds were used to defease the Agency’s outstanding revenue bonds. The Agency entered into contractual arrangements with its member cities and Duke Energy. Under these arrangements, the Agency will supply wholesale power to its members and will purchase this power from Duke Energy. In addition to payments made for electric power, Agency members will make payments for their share of the debt service on the Agency’s new revenue bonds.

Note 15 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures of grant monies by the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 16 – JOINTLY OWNED FACILITIES

The Towns of Apex and Cary jointly own and operate a water treatment plant. An advisory committee, consisting of the Mayors of Apex and Cary and the Town Managers of Apex and Cary, advise the Operating Agency on all policy matters and select the independent consultants for the project. The Town of Cary is the Operating Agency and operates the plant, hires employees, accounts for revenues and expenditures, and provides all administrative and executive management of the plant. The water treatment plant is not a separate legal entity and does not prepare separate financial statements. The Town's share of capital costs of the plant and its operating expenses are included in the Town of Apex's reporting entity.

All costs associated with the construction and improvements to the plant are allocated to each party based on its share of the water treatment capacity of the plant. The Towns of Apex and Cary have a 23% and 77% share of the facility's capacity, respectively. Both parties make payments sufficient to amortize their share of the capital costs regardless of the amount of water actually used. Both parties meet their share of all other costs in proportion to their actual use of water from the facility.

The Towns of Apex and Cary are jointly own and operate a wastewater treatment plant. The Town of Apex owns approximately from 29-31% considering the entire plant including outfall facilities. The plant has a total budgeted cost of \$300,000,000 and the Town of Apex's portion of this is \$83,369,781. Through June 30, 2019, the Town has capitalized the wastewater treatment plant and related land at a total cost of \$82,264,122 and has construction in progress on outfall facilities of \$154,591. At June 30, 2019, the Town has remaining construction commitments of \$951,068 related to this project.

Note 17 – SPECIAL ITEM

The North Carolina Supreme Court issued a ruling in December 2016 holding that certain fees assessed on new development for prospective services are not authorized under N.C.G.S. §160A-314. In June 2017 the NC General Assembly passed House Bill (HB) 436 which took effect on October 1, 2017. That law gives local governments clear authority to charge system development fees for prospective water and sewer services. The law also establishes procedures for the calculation of these fees and requires local government to adopt a fee calculated in accordance with these standards by July 1, 2018. HB 436 clarifies the statute of limitations for any claim for refunds of fees paid prior to the effective date of the law is three years.

The Town has entered into a legal settlement for claims related to a class action lawsuit for refunds of certain development fees paid to the Town. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The Town has recognized a liability for this class action settlement at June 30, 2019 of \$698,574 in the General Fund and \$14,588,099 in the Water and Sewer Fund.

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 18 – CHANGE IN ACCOUNTING PRINCIPLE

On May 21, 2019, the Council approved establishing a trust fund for the other post employment benefits (OPEB) liability. Due to the creation of the Trust, the accounting principle of GASB 75 has changed. In accordance with GASB 75 requirements, the Town changed the plan measurement date to align with the reporting date such that there is no lag between the measurement date and the reporting date. As a result of this change in accounting principle, a prior period adjustment has been made to increase the OPEB liability and decrease the net position of the following funds:

General Fund	\$	624,411
Electric Fund		58,901
Water and Sewer Fund		63,881
Total	\$	<u>747,193</u>

Note 19 – SUBSEQUENT EVENTS

On September 17, 2019 the Town issued Combined Enterprise System Revenue Bonds, Series 2019 in the amount of \$10 million for the construction of an electric operations center and warehouse. The Bond, which was privately placed with Pinnacle Bank, matures 2039 and bears an annual interest rate of 2.00%. Debt service payments will be approximately \$610,000 annually. Security for the bond is a pledge of the net receipts of the Electric Fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF APEX, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2019*

TOTAL OPEB LIABILITY	2019	2018
Service cost	\$ 1,833,733	\$ 2,225,212
Interest	1,111,292	854,654
Differences between expected and actual experience	143,860	110,047
Changes of assumptions	2,521,287	(3,373,245)
Benefit payments	<u>(442,864)</u>	<u>(338,332)</u>
Net change in total OPEB liability	5,167,308	(521,664)
Total OPEB liability - beginning	<u>28,787,250</u>	<u>28,561,721</u>
Total OPEB liability - ending	<u><u>\$ 33,954,558</u></u>	<u><u>\$ 28,040,057</u></u>
 PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 692,864	\$ -
Benefit payments	<u>(442,864)</u>	<u>-</u>
Net change in plan fiduciary net position	250,000	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u><u>\$ 250,000</u></u>	<u><u>\$ -</u></u>
Town's Net OPEB liability - ending	<u><u>\$ 33,704,558</u></u>	<u><u>\$ 28,040,057</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.74%	0.00%

Notes to Schedule

*The difference of \$747,193 between the 2018 ending TOL and the 2019 beginning TOL is due to the change in accounting principle that was adopted for measurement period ending June 30, 2019.

* Plan measurement date is the reporting date.

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.50%
2018	3.56%

Note that this schedule will not present 10 years' worth of information until fiscal year 2027.

**TOWN OF APEX, NORTH CAROLINA
TOWN OF APEX'S CONTRIBUTIONS
HEALTHCARE BENEFITS PLAN
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2019**

		2019
Actuarially determined contribution	\$	3,077,653
Contributions in relation to the actuarially determined contribution		692,864
Annual contribution deficiency		2,384,789
 Covered payroll*		 23,508,278
 Actual contributions as a percentage of covered payroll		 2.95%

* For years following the valuation date (when no valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

Notes to the Required Schedules:

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, prior to the above year end

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	
Amortization method	Level percentage of pay	
Amortization period	30 years	
Asset valuation method	Market value of assets	
Inflation	2.50%	
Healthcare cost trend rates	7.75% decreasing to an ultimate of 5.0% by 2028	
Salary increases	3.5% to 7.75% including inflation and productivity factor	
Investment rate of return	4.0% net of OPEB plan investment expense, including inflation	
Retirement Age	In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Health Annuitant Mortality Table.	
Mortality	In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Health Annuitant Mortality Table.	

**TOWN OF APEX, NORTH CAROLINA
TOWN OF APEX'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,984,665	\$ 1,771,996	\$ 1,502,800	\$ 1,468,206	\$ 1,380,271
Contributions in relation to the contractually required contributions	<u>1,984,665</u>	<u>1,771,996</u>	<u>1,502,800</u>	<u>1,468,206</u>	<u>1,380,271</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town of Apex's covered payroll	\$ 25,826,440	\$ 23,809,047	\$ 22,065,857	\$ 20,582,712	\$ 19,417,804
Contributions as a percentage of covered-employee payroll	7.68%	7.44%	6.81%	7.13%	7.11%

Note that this schedule will not present 10 years' worth of information until fiscal year 2023.

TOWN OF APEX, NORTH CAROLINA
TOWN OF APEX'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Apex's proportion of the net pension liability (asset) (%)	0.42412%	0.40137%	0.39248%	0.39693%	0.38363%	0.37310%
Apex's proportion of the net pension liability (asset) (\$)	\$ 10,061,577	\$ 6,131,822	\$ 8,329,740	\$ 1,781,398	\$ (2,262,443)	\$ 4,497,288
Apex's covered payroll	\$25,826,440	\$23,809,047	\$ 22,065,857	\$ 20,582,712	\$ 19,417,804	\$ 18,242,662
Apex's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.96%	25.75%	37.75%	8.65%	-11.65%	24.65%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Note that this schedule will not present 10 years' worth of information until fiscal year 2023.

TOWN OF APEX, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,248,394	\$ 1,929,620	\$ 1,825,900
Service cost	138,637	111,974	114,548
Interest on total pension liability	69,277	73,484	64,730
Difference between expected and actual experience	320,220	38,475	-
Changes of assumptions or other inputs	(103,589)	146,595	(50,116)
Benefit payments	<u>(112,197)</u>	<u>(51,754)</u>	<u>(25,442)</u>
Ending balance of the total pension liability	<u>\$ 2,560,742</u>	<u>\$ 2,248,394</u>	<u>\$ 1,929,620</u>

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

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

**TOWN OF APEX, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY
AS A PERCENTAGE OF COVERED PAYROLL
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017
Total pension liability	\$ 2,560,742	\$ 2,248,394	\$ 1,929,620
Covered payroll	5,069,978	4,760,797	4,527,103
Total pension liability as a percentage of covered payroll	50.51%	47.23%	42.62%

Notes to the schedules

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

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 1

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 28,950,400	\$ 29,465,485	\$ 515,085	\$ 24,631,157
Prior years	13,300	24,554	11,254	12,519
Penalties and interest	25,000	35,195	10,195	28,387
Total	<u>28,988,700</u>	<u>29,525,234</u>	<u>536,534</u>	<u>24,672,063</u>
Other taxes and licenses				
Local option sales tax	11,000,000	11,038,256	38,256	10,109,296
Motor vehicle licenses	-	-	-	200,305
Rental vehicles tax	75,000	82,208	7,208	73,883
Total	<u>11,075,000</u>	<u>11,120,464</u>	<u>45,464</u>	<u>10,383,484</u>
Unrestricted intergovernmental revenues				
Utility franchise tax	2,500,000	2,765,366	265,366	2,647,424
Beer and wine tax	205,000	209,435	4,435	202,218
Solid waste rebates - Wake County	240,000	283,669	43,669	176,907
Payments in lieu of taxes	1,800	2,313	513	1,728
Total	<u>2,946,800</u>	<u>3,260,783</u>	<u>313,983</u>	<u>3,028,277</u>
Restricted intergovernmental				
Powell Bill	1,216,000	1,257,391	41,391	1,203,921
EMS allocation - Wake County	-	-	-	1,636,216
Fire district allocation - Wake County	1,261,500	1,276,536	15,036	1,114,825
Federal grants	-	131,040	131,040	37,491
State grants	-	55,172	55,172	44,557
Wake County grant	96,600	145,183	48,583	238,809
Total	<u>2,574,100</u>	<u>2,865,322</u>	<u>291,222</u>	<u>4,275,819</u>
Permits and fees				
Building permits and inspection fees	5,016,300	4,635,741	(380,559)	5,290,667
Subdivision approval fee	220,000	237,665	17,665	176,474
Application fees	121,900	194,745	72,845	158,470
Vendor permits	10,000	11,875	1,875	9,610
Fines and penalties	-	-	-	3,000
Total	<u>5,368,200</u>	<u>5,080,026</u>	<u>(288,174)</u>	<u>5,638,221</u>
Sales and services				
Refuse collection fees	3,285,700	3,473,568	187,868	2,987,306
Emergency services	12,000	-	(12,000)	12,000
Recreation fees	938,000	1,089,168	151,168	991,005
Recycling revenue	677,000	719,476	42,476	647,817
Planning documents	200	160	(40)	200
Total	<u>4,912,900</u>	<u>5,282,372</u>	<u>369,472</u>	<u>4,638,328</u>
Investment earnings	<u>655,400</u>	<u>815,231</u>	<u>159,831</u>	<u>367,908</u>

TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 1

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Miscellaneous				
ABC revenue	\$ 230,000	\$ 276,611	\$ 46,611	\$ 231,343
Sale of fixed assets	50,000	114,258	64,258	338,896
Miscellaneous	72,800	68,100	(4,700)	215,741
Donations	17,565	12,216	(5,349)	15,741
Insurance Refund	22,049	103,998	81,949	25,944
Court costs and officer fees	10,000	16,854	6,854	20,220
Total	<u>402,414</u>	<u>592,037</u>	<u>189,623</u>	<u>847,885</u>
Total revenues	<u>56,923,514</u>	<u>58,541,469</u>	<u>1,617,955</u>	<u>53,851,985</u>
EXPENDITURES				
General government				
Governing body				
Personnel services	-	57,501	-	57,907
Operations	-	89,640	-	140,526
Total	<u>165,900</u>	<u>147,141</u>	<u>18,759</u>	<u>198,433</u>
Administration				
Personnel services	-	2,900,817	-	2,414,882
Operations	-	1,470,946	-	1,544,475
Capital outlay	-	125,927	-	187,589
Total	<u>5,552,212</u>	<u>4,497,690</u>	<u>1,054,522</u>	<u>4,146,946</u>
Finance				
Personnel services	-	370,539	-	341,135
Operations	-	371,714	-	310,560
Total	<u>828,454</u>	<u>742,253</u>	<u>86,201</u>	<u>651,695</u>
Facility Services				
Personnel services	-	230,246	-	278,821
Operations	-	714,829	-	532,529
Capital outlay	-	505,169	-	372,308
Total	<u>2,519,412</u>	<u>1,450,244</u>	<u>1,069,168</u>	<u>1,183,658</u>
Planning				
Personnel services	-	1,651,398	-	1,531,767
Operations	-	362,499	-	246,475
Downtown Development	-	-	-	22,035
Capital Outlay	-	31,540	-	-
Total	<u>2,247,809</u>	<u>2,045,437</u>	<u>202,372</u>	<u>1,800,277</u>

TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 1

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Construction Management				
Personnel services	\$ -	\$ 1,919,886	\$ -	\$ 1,626,348
Operations	-	165,474	-	163,798
Capital outlay	-	138,136	-	141,296
Total	<u>2,831,505</u>	<u>2,223,496</u>	<u>608,009</u>	<u>1,931,442</u>
Special Appropriations				
Wake County Programs	-	31,900	-	5,000
Chamber of Commerce	-	1,991	-	2,113
Downtown Merchants	-	32,950	-	20,000
Total	<u>88,900</u>	<u>66,841</u>	<u>22,059</u>	<u>27,113</u>
Total general government	<u>14,234,192</u>	<u>11,173,102</u>	<u>3,061,090</u>	<u>9,939,564</u>
Public safety				
Police				
Personnel services	-	7,763,230	-	8,325,308
Operations	-	1,823,540	-	1,187,488
Capital outlay	-	1,677,874	-	911,854
Total	<u>14,123,633</u>	<u>11,264,644</u>	<u>2,858,989</u>	<u>10,424,650</u>
Public Safety Communications				
Personnel services	-	850,244	-	-
Operations	-	130,314	-	-
Capital outlay	-	120,885	-	-
Total	<u>1,295,771</u>	<u>1,101,443</u>	<u>194,328</u>	<u>-</u>
Fire and Rescue				
Personnel services	-	6,918,989	-	6,331,296
Operations	-	935,073	-	737,446
HAZMAT program	-	-	-	19,732
Capital outlay	-	1,171,962	-	260,209
Total	<u>9,658,775</u>	<u>9,026,024</u>	<u>632,751</u>	<u>7,348,683</u>
EMS				
Personnel services	-	-	-	1,642,655
Operations	-	-	-	235,118
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,877,773</u>
Total public safety	<u>25,078,179</u>	<u>21,392,111</u>	<u>3,686,068</u>	<u>19,651,106</u>
Public Works				
Public Works & Transportation				
Personnel services	-	855,278	-	818,905
Operations	-	244,102	-	222,067
Capital outlay	-	18,201	-	-
Total	<u>1,328,643</u>	<u>1,117,581</u>	<u>211,062</u>	<u>1,040,972</u>

TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 1

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Utility Engineering & Water Resources				
Personnel services	\$ -	\$ 1,234,906	\$ -	\$ 1,139,509
Operations	-	137,603	-	117,691
Capital Outlay	-	87,962	-	56,993
Total	<u>1,626,925</u>	<u>1,460,471</u>	<u>166,454</u>	<u>1,314,193</u>
Streets				
Personnel services	-	1,067,681	-	794,357
Operations	-	1,915,458	-	2,166,316
Capital outlay	-	429,379	-	768,534
Total	<u>5,320,725</u>	<u>3,412,518</u>	<u>1,908,207</u>	<u>3,729,207</u>
Fleet Services				
Personnel services	-	317,742	-	340,267
Operations	-	118,277	-	97,064
Capital outlay	-	8,141	-	58,167
Total	<u>535,236</u>	<u>444,160</u>	<u>91,076</u>	<u>495,498</u>
Cemetery				
Operations	<u>30,300</u>	<u>344</u>	<u>29,956</u>	<u>30,718</u>
Total public works	<u>8,841,829</u>	<u>6,435,074</u>	<u>2,406,755</u>	<u>6,610,588</u>
Environmental Protection				
Sanitation				
Personnel services	-	937,942	-	795,710
Operations	-	2,959,805	-	2,620,866
Capital outlay	-	187,521	-	443,470
Total environmental protection	<u>4,217,055</u>	<u>4,085,268</u>	<u>131,787</u>	<u>3,860,046</u>
Cultural and Recreational				
Personnel services	-	2,632,814	-	2,312,470
Operations	-	1,751,175	-	1,571,546
Capital outlay	-	1,131,167	-	421,682
Total cultural and recreation	<u>6,142,296</u>	<u>5,515,156</u>	<u>627,140</u>	<u>4,305,698</u>
Debt service				
Principal	-	2,903,793	-	3,869,854
Interest	-	1,666,072	-	778,397
Bond issuance cost	-	-	-	233,682
Total debt service	<u>4,607,100</u>	<u>4,569,865</u>	<u>37,235</u>	<u>4,881,933</u>
Total expenditures	<u>63,120,651</u>	<u>53,170,576</u>	<u>9,950,075</u>	<u>49,248,935</u>
Revenues over (under) expenditures	<u>(6,197,137)</u>	<u>5,370,893</u>	<u>11,568,030</u>	<u>4,603,050</u>

TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 1

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
OTHER FINANCING SOURCES (USES)				
Operating transfers out				
General Capital Project	\$ (2,282,445)	\$ (1,969,500)	312,945	\$ (367,400)
Street Project	(174,400)	(174,400)	-	(371,000)
Operating transfers in				
Street Project Fund	-	-	-	29,050
Recreation Project Fund	300,000	300,000	-	194,328
Recreation Reserve Fund	1,872,408	1,872,408	-	902,597
Transportation Reserve Fund	293,574	293,574	-	742,400
Bond issuance	-	-	-	1,105,000
Bond premium	-	-	-	160,106
Contingency	(100,000)	-	100,000	-
Fund balance appropriated	6,986,574	-	(6,986,574)	-
Total other financing sources (uses)	<u>6,895,711</u>	<u>322,082</u>	<u>(6,573,629)</u>	<u>2,395,081</u>
SPECIAL ITEM				
Legal settlement	<u>(698,574)</u>	<u>(698,574)</u>	-	-
Net change in fund balance	<u>\$ -</u>	4,994,401	<u>\$ 4,994,401</u>	6,998,131
FUND BALANCE - Beginning of Year		<u>34,730,391</u>		<u>27,732,260</u>
FUND BALANCE - End of Year		<u>\$ 39,724,792</u>		<u>\$ 34,730,391</u>

TOWN OF APEX, NORTH CAROLINA
FIRE CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 2

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 800	\$ 2,040	\$ 1,240	\$ 1,156
EXPENDITURES				
Reserved for future expenditures	-	-	-	-
Net change in fund balance	<u>\$ 800</u>	2,040	<u>\$ 1,240</u>	1,156
FUND BALANCE - Beginning of year		<u>106,320</u>		<u>105,164</u>
FUND BALANCE - End of year		<u>\$ 108,360</u>		<u>\$ 106,320</u>

TOWN OF APEX, NORTH CAROLINA
CAPITAL PROJECTS FUND
RECREATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2019

Schedule 3

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Investment earnings	\$ 419,500	\$ 76,932	\$ 502,612	\$ 579,544
Donations	300,000	40,000	-	40,000
Intergovernmental	2,050,000	260,615	138,349	398,964
Miscellaneous	6,200	6,287	-	6,287
Total revenues	<u>2,775,700</u>	<u>383,834</u>	<u>640,961</u>	<u>1,024,795</u>
EXPENDITURES				
Capital outlay-improvements	<u>29,540,633</u>	<u>1,282,439</u>	<u>1,154,566</u>	<u>2,437,005</u>
Revenues under expenditures	<u>(26,764,933)</u>	<u>(898,605)</u>	<u>(513,605)</u>	<u>(1,412,210)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Recreation reserve	7,809,030	2,817,890	3,251,000	6,068,890
General fund	400,000	400,000	-	400,000
General fund	(752,978)	(194,328)	(300,000)	(494,328)
Bonds issued	18,555,903	18,555,903	-	18,555,903
Bond premium	752,978	752,978	-	752,978
Total other financing sources (uses)	<u>26,764,933</u>	<u>22,332,443</u>	<u>2,951,000</u>	<u>25,283,443</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>21,433,838</u>	\$ <u>2,437,395</u>	\$ <u>23,871,233</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Perry Library Fund - used to account for funds restricted for improvement and maintenance of Eva Perry Library building.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Street Improvements Projects Fund - used to account for construction and improvements to streets and sidewalks.

Recreation Reserve - used to account for development fees restricted for construction and improvement of parks and recreation facilities.

Transportation Reserve - used to account for development fees restricted for construction and improvement of streets.

General Capital Projects Fund - used to account for construction and improvements to facilities used in the Town's governmental activities.

Permanent Fund

Permanent funds are used to report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

Cemetery Fund - used to account for money received from sales of plots and related interest income. Only the interest portion of the fund can be used to maintain the cemetery.

**TOWN OF APEX, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

Statement 4

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Perry Library</u>	<u>Street Improvements Project</u>	<u>Recreation Reserve</u>
ASSETS			
Cash and cash equivalents	\$ 119,675	\$ 2,240,346	\$ 4,381,359
Restricted cash	-	923,993	-
Wake County taxes receivable	-	-	-
Total assets	<u>\$ 119,675</u>	<u>\$ 3,164,339</u>	<u>\$ 4,381,359</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 185,534</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Greenway Credits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,665</u>
FUND BALANCES			
Restricted	-	923,993	-
Committed	119,675	2,054,812	-
Assigned	-	-	4,303,694
Total fund balance	<u>119,675</u>	<u>2,978,805</u>	<u>4,303,694</u>
Total liabilities and fund balances	<u>\$ 119,675</u>	<u>\$ 3,164,339</u>	<u>\$ 4,381,359</u>

Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds
Transportation Reserve	General Projects	Total	Cemetery Fund	
\$ 2,823,575	\$ 2,910,059	\$ 12,355,339	\$ 424,786	\$ 12,899,800
-	-	923,993	697,418	1,621,411
76,291	-	76,291	-	76,291
<u>\$ 2,899,866</u>	<u>\$ 2,910,059</u>	<u>\$ 13,355,623</u>	<u>\$ 1,122,204</u>	<u>\$ 14,597,502</u>
\$ -	\$ 35,302	\$ 220,836	\$ -	\$ 220,836
\$ -	\$ -	\$ 77,665	\$ -	\$ 77,665
-	-	923,993	697,418	1,621,411
-	2,874,757	4,929,569	424,786	5,474,030
2,899,866	-	7,203,560	-	7,203,560
<u>2,899,866</u>	<u>2,874,757</u>	<u>13,057,122</u>	<u>1,122,204</u>	<u>14,299,001</u>
<u>\$ 2,899,866</u>	<u>\$ 2,910,059</u>	<u>\$ 13,277,958</u>	<u>\$ 1,122,204</u>	<u>\$ 14,597,502</u>

TOWN OF APEX, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2019

Statement 5

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Perry Library</u>	<u>Street Improvements Project</u>	<u>Recreation Reserve</u>
REVENUES			
Other taxes and licenses			
Motor vehicle licenses	\$ -	\$ -	\$ -
Restricted Intergovernmental	-	10,910	-
Permits and fees			
Subdivision recreation fees	-	-	3,449,496
Transportation impact fees	-	-	-
Payments in lieu of streets	-	165,849	-
Payments in lieu of sidewalks	-	36,880	-
Miscellaneous	-	4,323	-
Investment earnings	2,253	103,066	120,182
Total revenues	<u>2,253</u>	<u>321,028</u>	<u>3,569,678</u>
EXPENDITURES			
Current-Public works	-	-	-
Capital outlay-improvements	-	1,607,849	-
Total expenditures	<u>-</u>	<u>1,607,849</u>	<u>-</u>
Revenues over (under) expenditures	<u>2,253</u>	<u>(1,286,821)</u>	<u>3,569,678</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	729,923	-
Transfers out	-	(2,150,191)	(5,123,408)
Total other financing sources (uses)	<u>-</u>	<u>(1,420,268)</u>	<u>(5,123,408)</u>
Net change in fund balances	2,253	(2,707,089)	(1,553,730)
FUND BALANCES - Beginning of year	<u>117,422</u>	<u>5,685,894</u>	<u>5,857,424</u>
FUND BALANCES - End of year	<u>\$ 119,675</u>	<u>\$ 2,978,805</u>	<u>\$ 4,303,694</u>

Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds
Transportation Reserve	General Capital Projects	Total	Cemetery Fund	
\$ 790,883	\$ -	\$ 790,883	\$ -	\$ 790,883
-	-	10,910	-	10,910
-	-	3,449,496	-	3,449,496
(590)	-	(590)	-	(590)
16,503	-	182,352	-	182,352
1,040	-	37,920	-	37,920
-	-	4,323	-	4,323
25,901	28,140	277,289	21,157	300,699
<u>833,737</u>	<u>28,140</u>	<u>4,752,583</u>	<u>21,157</u>	<u>4,775,993</u>
-	-	-	2,550	2,550
-	166,004	1,773,852	-	1,773,852
-	166,004	1,773,852	2,550	1,776,402
<u>833,737</u>	<u>(137,864)</u>	<u>2,978,731</u>	<u>18,607</u>	<u>2,999,591</u>
2,150,191	1,969,500	4,849,614	(2,550)	4,847,064
(849,096)	-	(8,122,695)	-	(8,122,695)
<u>1,301,095</u>	<u>1,969,500</u>	<u>(3,273,081)</u>	<u>-</u>	<u>(3,275,631)</u>
2,134,832	1,831,636	(294,351)	18,607	(276,040)
<u>765,034</u>	<u>1,043,121</u>	<u>13,351,473</u>	<u>1,103,597</u>	<u>14,572,492</u>
<u>\$ 2,899,866</u>	<u>\$ 2,874,757</u>	<u>\$ 13,057,122</u>	<u>\$ 1,122,204</u>	<u>\$ 14,299,001</u>

**TOWN OF APEX, NORTH CAROLINA
SPECIAL REVENUE FUND
PERRY LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 6

	2019		Variance Positive (Negative)	2018
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES				
Investment earnings	\$ 900	\$ 2,253	\$ 1,353	\$ 1,276
EXPENDITURES				
Building maintenance and repair	<u>230</u>	<u>-</u>	<u>230</u>	<u>-</u>
Net change in fund balance	<u>\$ 670</u>	2,253	<u>\$ (1,583)</u>	1,276
FUND BALANCE - Beginning of year		<u>117,422</u>		<u>116,146</u>
FUND BALANCE - End of year		<u>\$ 119,675</u>		<u>\$ 117,422</u>

TOWN OF APEX, NORTH CAROLINA
CAPITAL PROJECT FUND
STREET IMPROVEMENTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2019

Schedule 7

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Developer reimbursements	\$ -	\$ 25,192	\$ 4,323	\$ 29,515
Payments in lieu of streets	2,165,000	1,898,986	165,849	2,064,835
Payments in lieu of sidewalks	170,000	113,476	36,880	150,356
Intergovernmental	5,854,800	1,132,855	10,910	1,143,765
Investment earnings	174,000	202,798	103,066	305,864
Total revenues	<u>8,363,800</u>	<u>3,373,307</u>	<u>321,028</u>	<u>3,694,335</u>
EXPENDITURES				
Capital outlay-improvements	12,785,082	2,382,551	1,607,849	3,990,400
Less closed projects	<u>224,794</u>	<u>200,079</u>	<u>-</u>	<u>200,079</u>
Total expenditures	<u>12,560,288</u>	<u>2,182,472</u>	<u>1,607,849</u>	<u>3,790,321</u>
Revenues over (under) expenditures	<u>(4,196,488)</u>	<u>1,190,835</u>	<u>(1,286,821)</u>	<u>(95,986)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
General Fund	2,865,914	1,890,934	174,400	2,065,334
General Fund	(32,711)	(29,050)	-	(29,050)
Transportation Capital Reserve	1,464,255	403,733	555,523	959,256
Transportation Capital Reserve	(2,270,000)	-	(2,150,191)	(2,150,191)
Bonds issued	2,219,908	2,255,605	-	2,255,605
Bond premium	173,916	173,916	-	173,916
Sub-total other financing sources (uses)	<u>4,421,282</u>	<u>4,695,138</u>	<u>(1,420,268)</u>	<u>3,274,870</u>
Less closed projects	<u>224,794</u>	<u>200,079</u>	<u>-</u>	<u>200,079</u>
Total other financing sources (uses)	<u>4,196,488</u>	<u>4,495,059</u>	<u>(1,420,268)</u>	<u>3,074,791</u>
Net change in fund balance	\$ -	\$ 5,685,894	\$ (2,707,089)	\$ 2,978,805

TOWN OF APEX, NORTH CAROLINA
RECREATION CAPITAL PROJECT FUND - CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 8

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Subdivision recreation fees	\$ 3,500,000	\$ 3,449,496	\$ (50,504)	\$ 4,158,264
Investment earnings	30,000	120,182	90,182	57,035
Total revenues	3,530,000	3,569,678	39,678	4,215,299
EXPENDITURES				
Reserved for future expenditures	-	-	-	-
Revenues over expenditures	3,530,000	3,569,678	39,678	4,215,299
OTHER FINANCING SOURCES (USES)				
Transfers out				
General Fund	(1,872,408)	(1,872,408)	-	(902,597)
Recreation Project	(3,251,000)	(3,251,000)	-	(1,971,000)
Fund Balance Appropriated	1,593,408	-	1,593,408	-
Total other financing sources (uses)	(3,530,000)	(5,123,408)	1,593,408	(2,873,597)
Net change in fund balance	\$ -	(1,553,730)	\$ (1,553,730)	1,341,702
FUND BALANCE - Beginning of year		5,857,424		4,515,722
FUND BALANCE - End of year		\$ 4,303,694		\$ 5,857,424

TOWN OF APEX, NORTH CAROLINA
TRANSPORTATION CAPITAL PROJECT FUND - CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 9

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Motor vehicle licenses	\$ 675,000	\$ 790,883	\$ 115,883	\$ 345,058
Transportation impact fees	-	(590)	(590)	466,957
Payments in lieu of streets	-	16,503	16,503	-
Payments in lieu of sidewalks	-	1,040	1,040	-
Investment earnings	6,000	25,901	19,901	9,356
Total revenues	681,000	833,737	152,737	821,371
EXPENDITURES				
Reserved for future expenditures	-	-	-	-
Revenues over expenditures	681,000	833,737	152,737	821,371
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
General Fund	(293,574)	(293,574)	-	(742,400)
Street Project Fund	-	2,150,191	2,150,191	-
Street Project Fund	(559,426)	(555,522)	3,904	-
Fund Balance Appropriated	172,000	-	(172,000)	-
Total other financingsources (uses)	(681,000)	1,301,095	1,982,095	(742,400)
Net change in fund balance	\$ -	2,134,832	\$ 2,134,832	78,971
FUND BALANCE - Beginning of year		765,034		686,063
FUND BALANCE - End of year		\$ 2,899,866		\$ 765,034

TOWN OF APEX, NORTH CAROLINA
CAPITAL PROJECT FUND
GENERAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From inception to June 30, 2019

Schedule 10

	Project Author - ization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Investment earnings	\$ -	\$ 13,483	\$ 28,140	\$ 41,623
Total revenues	-	13,483	28,140	41,623
EXPENDITURES				
Capital outlay-improvements	5,199,237	-	166,004	166,004
Revenues under expenditures	(5,199,237)	13,483	(137,864)	(124,381)
OTHER FINANCING SOURCES				
Transfers in				
General Fund	4,599,237	1,029,638	1,969,500	2,999,138
Cemetery Fund	600,000	-	-	-
Total other financing sources (uses)	5,199,237	1,029,638	1,969,500	2,999,138
Net change in fund balance	\$ -	\$ 1,043,121	\$ 1,831,636	\$ 2,874,757

TOWN OF APEX, NORTH CAROLINA
PERMANENT FUND
CEMETERY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the year ended June 30, 2019
With comparative actual amounts for the year ended June 30, 2018

Schedule 11

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Investment earnings	\$ 9,000	\$ 21,157	\$ 12,157	\$ 12,019
Sale of plots	-	(2,550)	(2,550)	(9,300)
Total revenues	9,000	18,607	9,607	2,719
EXPENDITURES				
Reserved for future expenditures	9,000	-	9,000	-
Net change in fund balance	-	18,607	18,607	2,719
FUND BALANCE - Beginning of year		1,103,597		1,100,878
FUND BALANCE - End of year		\$ 1,122,204		\$ 1,103,597

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Electric Fund - used to account for the costs of providing electric service. The Town also maintains a subfund to account for the construction of an electric substation.

Water and Sewer Fund - used to account for the costs of providing water treatment and distribution and wastewater collection and treatment. The Town also maintains subfunds to account for water and sewer capital projects and development fees restricted to use for system improvements.

Internal Service Funds

Internal service funds are used to account for providing goods and services to other funds or departments of the Town. This allows the Town to centralize certain services and then allocate them on a full cost-reimbursement basis.

Health and Dental Fund - the Town self insures routine health and dental claims and uses this fund to centralize costs and allocate them to various departments based on the number of employees.

TOWN OF APEX, NORTH CAROLINA
ELECTRIC OPERATIONS
SCHEDULE OF REVENUES, EXPENSES AND SUPPLEMENTAL BUDGET EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Year Ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 12

	2019			2018
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
REVENUES				
Operating revenues:				
Charges for services				
Sale of electricity	\$ 34,976,700	\$ 36,239,086	\$ 1,262,386	\$ 33,801,097
Reconnection fees	47,500	43,589	(3,911)	39,275
Service initiation fees	-	55,947	55,947	-
Penalties	75,000	202,970	127,970	74,547
Total	<u>35,099,200</u>	<u>36,541,592</u>	<u>1,442,392</u>	<u>33,914,919</u>
Other operating revenues				
Sales tax revenues	2,445,300	2,525,171	79,871	2,358,578
Underground charges	1,975,000	1,460,144	(514,856)	1,757,849
Pole rental	10,000	-	(10,000)	-
Sale of capital assets	30,000	-	(30,000)	-
Miscellaneous	140,000	68,923	(71,077)	145,997
Electric meters	180,000	211,100	31,100	186,444
Total other operating revenues	<u>4,780,300</u>	<u>4,265,338</u>	<u>(514,962)</u>	<u>4,448,868</u>
Total operating revenues	39,879,500	40,806,930	927,430	38,363,787
Nonoperating revenues:				
Investment earnings	35,000	101,015	66,015	52,509
Total revenues	<u>39,914,500</u>	<u>40,907,945</u>	<u>993,445</u>	<u>38,416,296</u>
EXPENDITURES				
Personnel services	4,009,100	3,930,761	78,339	3,480,198
Operations and maintenance	1,775,700	1,531,829	243,871	1,282,080
Purchases of electricity	25,988,200	25,984,245	3,955	24,260,452
Electric sales tax	2,573,300	2,572,686	614	2,372,391
Total	<u>34,346,300</u>	<u>34,019,521</u>	<u>326,779</u>	<u>31,395,121</u>
Debt service				
Principal retirement	516,000	516,000	-	498,000
Interest	122,900	122,801	99	140,833
Total debt service	<u>638,900</u>	<u>638,801</u>	<u>99</u>	<u>638,833</u>
Capital outlay	4,678,622	4,214,238	464,384	4,642,847
Total expenditures	<u>39,663,822</u>	<u>38,872,560</u>	<u>791,262</u>	<u>36,676,801</u>
Revenues over (under) expenses	<u>250,678</u>	<u>2,035,385</u>	<u>1,784,707</u>	<u>1,739,495</u>

TOWN OF APEX, NORTH CAROLINA
ELECTRIC OPERATIONS
SCHEDULE OF REVENUES, EXPENSES AND SUPPLEMENTAL BUDGET EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Year Ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 12

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Electric Substation Project	\$ (1,200,000)	\$ (1,200,000)	\$ -	\$ (2,394,419)
Contingency	(85,000)	-	85,000	-
Appropriated fund balance	1,034,322	-	(1,034,322)	-
Total other financing sources (uses)	<u>(250,678)</u>	<u>(1,200,000)</u>	<u>(949,322)</u>	<u>(2,394,419)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	835,385	<u>\$ 835,385</u>	(654,924)

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

Reconciling items:

Capital outlay	4,214,238	4,642,847
Depreciation	(2,608,624)	(2,530,444)
Payment of debt principal	516,000	498,000
Intrafund transfers	1,200,000	2,394,419
Increase in accrued vacation and compensatory pay	(8,476)	(16,127)
Decrease in accrued interest	2,348	2,266
Increase/(decrease) in deferred outflows of resources - pensions	318,958	(227,236)
(Increase)/decrease in net pension liability	(402,800)	207,941
Decrease in deferred inflows of resources - pensions	17,094	13,923
Increase in deferred outflows of resources - OPEB	136,949	57,687
(Increase)/decrease in deferred inflows of resources - OPEB	42,800	(226,129)
(Increase)/decrease in net OPEB liability	(373,334)	39,008
Electric substation project		
Investment earnings	89,290	41,279
Net income	<u>\$ 3,979,828</u>	<u>\$ 4,242,510</u>

**TOWN OF APEX, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 13

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Charges for services	\$ 16,671,300	\$ 16,477,807	\$ (193,493)	\$ 15,570,135
Other operating revenues				
Water and sewer taps	330,000	507,825	177,825	481,590
Water tank rentals	180,000	176,159	(3,841)	171,119
Miscellaneous	52,500	245,618	193,118	37,554
Total other operating revenues	562,500	929,602	367,102	690,263
Total operating revenues	17,233,800	17,407,409	173,609	16,260,398
Nonoperating revenues:				
Investment earnings	85,000	315,513	230,513	138,619
Sale of capital assets	25,000	131,591	106,591	63,354
Total nonoperating revenues	110,000	447,104	337,104	201,973
Total revenues	17,343,800	17,854,513	510,713	16,462,371
EXPENDITURES				
Water & Sewer Administration				
Personnel services	1,897,400	1,899,681	(2,281)	143,062
Operations and maintenance	627,352	463,261	164,091	207,126
Total	2,524,752	2,362,942	161,810	350,188
Sewer Treatment				
Personnel services	956,600	935,629	20,971	823,819
Operations and maintenance	1,051,156	809,411	241,745	868,903
Contracted treatment services	1,730,000	1,801,028	(71,028)	1,548,603
Total	3,737,756	3,546,068	191,688	3,241,325
Sewer Maintenance				
Personnel services	1,200,100	850,465	349,635	1,687,543
Operations and maintenance	1,804,732	1,008,509	796,223	823,993
Total	3,004,832	1,858,974	1,145,858	2,511,536
Water Treatment				
Operations and maintenance	265,000	77,569	187,431	230,714
Water purchases	2,045,500	1,710,932	334,568	1,806,314
Total	2,310,500	1,788,501	521,999	2,037,028
Water Maintenance				
Personnel services	1,401,400	1,271,918	129,482	1,973,435
Operations and maintenance	1,412,565	1,097,260	315,305	763,463
Total	2,813,965	2,369,178	444,787	2,736,898
Debt service				
Interest	1,614,500	1,614,294	206	1,665,416
Principal retirement	2,339,500	2,339,444	56	2,379,869
Total debt service	3,954,000	3,953,738	262	4,045,285

TOWN OF APEX, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 13

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Capital outlay				
Water/Sewer administration	\$ 65,000	\$ 62,498	\$ 2,502	\$ -
Sewer treatment	721,579	663,433	58,146	223,976
Sewer maintenance	309,312	305,039	4,273	680,683
Water maintenance	993,000	964,022	28,978	768,327
Water treatment	389,920	396,366	(6,446)	30,804
Total capital outlay	<u>2,478,811</u>	<u>2,391,358</u>	<u>87,453</u>	<u>1,703,790</u>
Total expenditures	<u>20,824,616</u>	<u>18,270,759</u>	<u>2,553,857</u>	<u>16,626,050</u>
Revenues over (under) expenditures	<u>(3,480,816)</u>	<u>(416,246)</u>	<u>3,064,570</u>	<u>(163,679)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in /(out)				
Water/Sewer Reserves	19,794,923	19,794,923	-	2,347,652
Water/Sewer Project Fund	(2,315,225)	(2,315,225)	-	(500,000)
Fund balance appropriated	762,717	-	(762,717)	-
Contingency	(103,500)	-	103,500	-
Total other financing sources (uses)	<u>18,138,915</u>	<u>17,479,698</u>	<u>(659,217)</u>	<u>1,847,652</u>
SPECIAL ITEM				
Legal settlement	(14,658,099)	(14,658,099)	-	-
Revenues and other sources (uses) over expenditures and special item	<u>\$ -</u>	<u>2,405,353</u>	<u>\$ 2,405,353</u>	<u>1,683,973</u>
Reconciliation from budgetary basis (modified accrual)				
to full accrual:				
Capital outlay		2,391,358		1,703,790
Capital contributions		3,394,390		16,500,445
Intrafund transfers		(17,479,698)		(1,847,652)
Depreciation		(10,648,851)		(9,717,197)
(Increase)/decrease in accrued interest		(19,681)		4,490
Amortization of premiums on bonds issued		74,237		74,237
Payment of debt principal		2,339,444		2,379,869
Increase/(decrease) in deferred outflows of resources - pensions		399,242		(300,782)
(Increase)/decrease in net pension liability		(504,188)		275,241
Decrease in deferred inflows of resources - pensions		21,397		18,430
Disposition of capital assets		(72,810)		(24,627)
Increase in accrued vacation pay		(28,264)		(1,462)
Increase in deferred outflows - OPEB		146,633		64,460
Increase/(decrease) in deferred inflows - OPEB		53,851		(252,682)
(Increase)/decrease in net OPEB liability		(416,778)		43,589
Water/Sewer Capital Project Fund				
Interest income		168,865		109,418
Waste Water Treatment Plant Capital Project Fund				
Interest income		36,823		22,275
Capital Reserve Funds				
Capacity fees		347,665		3,214,570
Acreage fees		-		248,597
Capital reimbursement fees		10,484,935		17,899,401
Interest income		742,074		330,238
Miscellaneous		4,212		-
Net Income	94	<u>\$ (6,159,791)</u>		<u>\$ 32,428,621</u>

TOWN OF APEX, NORTH CAROLINA
ELECTRIC SUBSTATION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception to June 30, 2019

Schedule 14

	Project Author - ization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Investment earnings	\$ 73,274	\$ 98,046	\$ 89,290	\$ 187,336
EXPENDITURES				
Capital outlay - improvements	6,606,000	42,715	490,000	532,715
Total expenditures	<u>6,606,000</u>	<u>42,715</u>	<u>490,000</u>	<u>532,715</u>
Revenues over (under) expenditures	<u>(6,532,726)</u>	<u>55,331</u>	<u>(400,710)</u>	<u>(345,379)</u>
OTHER FINANCING SOURCES				
Transfers in				
Electric Fund	6,424,363	3,485,540	1,200,000	4,685,540
Water/Sewer Fund	108,363	108,363	-	108,363
Total other financing sources	<u>6,532,726</u>	<u>3,593,903</u>	<u>1,200,000</u>	<u>4,793,903</u>
Revenues and other financing sources over expenditures	\$ <u><u>-</u></u>	\$ <u><u>3,649,234</u></u>	\$ <u><u>799,290</u></u>	\$ <u><u>4,448,524</u></u>

TOWN OF APEX, NORTH CAROLINA
WATER/SEWER PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception to June 30, 2019

Schedule 15

	Project Author - ization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Investment earnings	\$ 260,336	\$ 154,609	\$ 168,865	\$ 323,474
EXPENDITURES				
Capital outlay - improvements	21,436,061	3,061,406	3,398,328	6,459,734
Bond issuance costs	16,100	60,905	-	60,905
Total expenditures	<u>21,452,161</u>	<u>3,122,311</u>	<u>3,398,328</u>	<u>6,520,639</u>
Revenues under expenditures	<u>(21,191,825)</u>	<u>(2,967,702)</u>	<u>(3,229,463)</u>	<u>(6,197,165)</u>
OTHER FINANCING SOURCES				
Transfers in				
Water/Sewer Capital Reserve	12,861,600	10,924,247	1,314,750	12,238,997
Water/Sewer HB 463 Reserve	5,515,000	-	-	-
Water/Sewer Fund	2,815,225	500,000	2,315,225	2,815,225
Total other financing sources	<u>21,191,825</u>	<u>11,424,247</u>	<u>3,629,975</u>	<u>15,054,222</u>
Revenues and other financing sources over expenditures	\$ <u>-</u>	\$ <u>8,456,545</u>	\$ <u>400,512</u>	\$ <u>8,857,057</u>

TOWN OF APEX, NORTH CAROLINA
WASTEWATER TREATMENT PLANT PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
From Inception to June 30, 2019

Schedule 16

	Project Author - ization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Investment earnings	\$ 150,000	\$ 338,910	\$ 36,823	\$ 375,733
Miscellaneous	-	404	-	404
Total revenues	<u>150,000</u>	<u>339,314</u>	<u>36,823</u>	<u>376,137</u>
EXPENDITURES				
Capital outlay - improvements	<u>241,000</u>	<u>66,152</u>	<u>88,440</u>	<u>154,592</u>
Revenues under expenditures	<u>(91,000)</u>	<u>273,162</u>	<u>(51,617)</u>	<u>221,545</u>
OTHER FINANCING SOURCES				
Transfers in				
Water/Sewer Capital Reserve	<u>91,000</u>	<u>1,663,566</u>	<u>-</u>	<u>1,663,566</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,936,728</u>	<u>\$ (51,617)</u>	<u>\$ 1,885,111</u>

TOWN OF APEX, NORTH CAROLINA
WATER/SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 17

	<u>2019</u>			<u>2018</u>
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Capacity fees	\$ -	\$ 347,665	\$ 347,665	\$ 3,214,570
Capital reimbursement fees	612,000	1,301,814	689,814	17,899,401
Acreage fees	-	-	-	248,597
Miscellaneous	-	4,212	4,212	-
Investment earnings	144,000	678,459	534,459	330,238
Total revenues	<u>756,000</u>	<u>2,332,150</u>	<u>1,576,150</u>	<u>21,692,806</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>756,000</u>	<u>2,332,150</u>	<u>1,576,150</u>	<u>21,692,806</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Water/Sewer Fund	(15,597,073)	(15,597,073)	-	(2,347,652)
Water/Sewer Project Fund	(1,639,750)	(1,314,750)	325,000	(3,428,000)
Fund Balance Appropriated	16,480,823	-	(16,480,823)	-
Total other financing sources (uses)	<u>(756,000)</u>	<u>(16,911,823)</u>	<u>(16,155,823)</u>	<u>(5,775,652)</u>
Net change in fund balance	<u>\$ -</u>	(14,579,673)	<u>\$ (14,579,673)</u>	15,917,154
FUND BALANCE - Beginning of year		<u>35,657,607</u>		<u>19,740,453</u>
FUND BALANCE - End of year		<u>\$ 21,077,934</u>		<u>\$ 35,657,607</u>

TOWN OF APEX, NORTH CAROLINA
WATER/SEWER HB 463 CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 18

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
REVENUES				
Capital reimbursement fees	\$ 4,622,100	\$ 9,183,121	\$ 4,561,021	\$ -
Investment earnings	<u>36,000</u>	<u>63,615</u>	<u>27,615</u>	<u>-</u>
Total revenues	4,658,100	9,246,736	4,588,636	-
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>4,658,100</u>	<u>9,246,736</u>	<u>4,588,636</u>	<u>-</u>
OTHER FINANCING USES				
Transfers out				
Water/Sewer Fund	(4,197,850)	(4,197,850)	-	-
Water/Sewer Project Fund	<u>(460,250)</u>	<u>-</u>	<u>460,250</u>	<u>-</u>
Total other financing uses	<u>(4,658,100)</u>	<u>(4,197,850)</u>	<u>460,250</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	5,048,886	\$ <u>5,048,886</u>	-
FUND BALANCE - Beginning of year		<u>-</u>		<u>-</u>
FUND BALANCE - End of year		\$ <u>5,048,886</u>		\$ <u>-</u>

TOWN OF APEX, NORTH CAROLINA
INTERNAL SERVICE FUND
HEALTH AND DENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - FINANCIAL PLAN AND ACTUAL (Non - GAAP)
For the year ended June 30, 2019

With comparative actual amounts for the year ended June 30, 2018

Schedule 19

	2019			2018
	Financial Plan	Actual	Variance Positive (Negative)	Actual
REVENUES				
Health premiums	\$ 3,958,166	\$ 3,938,889	\$ (19,277)	\$ 3,761,553
Dental premiums	247,048	238,128	(8,920)	278,841
Employee health contributions	939,965	884,450	(55,515)	877,656
Employee dental contributions	178,660	142,545	(36,115)	165,373
Employee vision contributions	56,188	60,804	4,616	-
Retiree health contributions	-	78,839	78,839	-
Total revenues	5,380,027	5,343,655	(36,372)	5,083,423
EXPENDITURES				
Health claims-employees	3,652,643	3,213,945	438,698	3,700,763
Dental claims-employees	332,731	339,513	(6,782)	366,116
Administrative fees-employees	667,226	661,535	5,691	662,695
Health claims-retiree	636,980	397,229	239,751	585,640
Dental claims-retiree	3,375	8,536	(5,161)	4,677
Administrative fees-retiree	30,884	65,462	(34,578)	82,478
Administrative fees-vision	56,188	54,801	1,387	-
Total expenditures	5,380,027	4,741,021	639,006	5,402,369
Revenues over expenditures	\$ -	602,634	\$ 602,634	(318,946)
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items:				
(Increase) decrease in reserve for incurred but not reported ("IBNR") claims		333,052		(199,520)
Change in net position		\$ 935,686		\$ (518,466)

**TOWN OF APEX, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019**

Schedule 20

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2018</u>	<u>Additions</u>	Collections, Adjustments and Releases	Uncollected Balance <u>June 30, 2019</u>
2018-2019	\$ -	\$ 29,496,802	\$ 29,465,485	\$ 31,317
2017-2018	35,051	-	16,510	18,541
2016-2017	15,489	-	6,054	9,435
2015-2016	12,573	-	2,915	9,658
2014-2015	10,635	-	130	10,505
2013-2014	16,740	-	177	16,563
2012-2013	10,053	-	341	9,712
2011-2012	8,511	-	97	8,414
2010-2011	9,926	-	11	9,915
2009-2010	10,759	-	518	10,241
2008-2009	18,385	-	18,385	-
	<u>\$ 148,122</u>	<u>\$ 29,496,802</u>	<u>\$ 29,510,623</u>	<u>134,301</u>
				<u>103,475</u>
				<u>\$ 30,826</u>

Less: Allowance for uncollectible accounts

Ad valorem taxes receivable - net

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 29,525,234
Reconciling items:	
Less: Penalties and interest	(35,195)
Add: Adjustments and releases	<u>20,584</u>
Total collections and credits	<u>\$ 29,510,623</u>

**TOWN OF APEX, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2019**

Schedule 21

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 7,105,781,687	0.415	\$ 29,488,994	27,031,583	\$ 2,457,411
Penalties	-		22,007	22,007	-
Total	<u>7,105,781,687</u>		<u>29,511,001</u>	<u>27,053,590</u>	<u>2,457,411</u>
Discoveries:					
Prior year taxes	-		83,260	83,260	-
Total	<u>7,105,781,687</u>		<u>29,594,261</u>	<u>27,136,850</u>	<u>2,457,411</u>
Abatements	<u>(23,484,096)</u>	0.415	<u>(97,459)</u>	<u>(97,459)</u>	<u>-</u>
Total property valuation	<u><u>\$ 7,082,297,591</u></u>				
Net levy			29,496,802	27,039,391	2,457,411
Uncollected taxes at June 30, 2019			<u>31,317</u>	<u>19,095</u>	<u>12,222</u>
Current year's taxes collected			<u>\$ 29,465,485</u>	<u>\$ 27,020,296</u>	<u>\$ 2,445,189</u>
Current levy collection percentage			<u>99.9%</u>	<u>99.9%</u>	<u>99.5%</u>

TOWN OF APEX, NORTH CAROLINA
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
AND MATURITY SCHEDULE
June 30, 2019

Schedule 22

Fiscal Year	UTILITIES		OTHER		TOTAL	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
2019-2020	915,000	2,021,875	1,775,000	2,937,013	2,690,000	4,958,888
2020-2021	980,000	2,041,125	1,780,000	2,875,150	2,760,000	4,916,275
2021-2022	1,045,000	2,086,525	1,780,000	2,807,532	2,825,000	4,894,057
2022-2023	1,115,000	2,135,625	1,780,000	2,739,000	2,895,000	4,874,625
2023-2024	1,185,000	2,161,025	1,790,000	2,687,913	2,975,000	4,848,938
2024-2025	1,260,000	2,176,775	1,785,000	2,620,850	3,045,000	4,797,625
2025-2026	1,340,000	2,193,775	1,580,000	2,353,250	2,920,000	4,547,025
2026-2027	1,420,000	2,233,575	1,585,000	2,288,500	3,005,000	4,522,075
2027-2028	1,575,000	2,345,975	1,590,000	2,223,500	3,165,000	4,569,475
2028-2029	1,665,000	2,388,725	1,765,000	2,336,425	3,430,000	4,725,150
2029-2030	1,760,000	2,433,775	1,620,000	2,134,819	3,380,000	4,568,594
2030-2031	1,855,000	2,475,975	1,620,000	2,086,219	3,475,000	4,562,194
2031-2032	1,955,000	2,501,775	1,805,000	2,222,619	3,760,000	4,724,394
2032-2033	2,080,000	2,548,575	2,035,000	2,398,469	4,115,000	4,947,044
2033-2034	2,185,000	2,570,375	1,905,000	2,207,419	4,090,000	4,777,794
2034-2035	2,740,000	3,037,975	1,905,000	2,147,888	4,645,000	5,185,863
2035-2036	2,740,000	2,928,375	1,905,000	2,088,356	4,645,000	5,016,731
2036-2037	2,740,000	2,835,900	1,905,000	2,028,825	4,645,000	4,864,725
2037-2038	-	-	1,905,000	1,966,913	1,905,000	1,966,913
	<u>\$ 30,555,000</u>	<u>\$ 43,117,725</u>	<u>\$ 33,815,000</u>	<u>\$ 45,150,660</u>	<u>\$ 64,370,000</u>	<u>\$ 88,268,385</u>

STATISTICAL SECTION

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

Financial Trends - Tables 1 - 5

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity - Tables 6 - 9

These tables contain information to help the reader assess the Town's most significant revenue sources, property taxes and electric sales.

Debt Capacity - Tables 10 - 13

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information - Tables 14 - 15

These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information - Tables 16 - 18

These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services it provides and the activities it performs.

TOWN OF APEX, NORTH CAROLINA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(000's omitted)

Table 1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 139,181	\$ 138,025	\$ 145,697	\$ 146,483	\$ 150,821	\$ 172,231	\$ 208,352	\$ 298,896	\$ 383,833	\$ 446,504
Restricted	1,076	4,138	4,019	5,251	7,352	6,090	10,486	8,279	10,340	11,128
Unrestricted	18,118	15,810	14,161	15,473	14,699	14,216	13,406	17,797	13,270	14,301
Total governmental activities net position	\$ 158,375	\$ 157,973	\$ 163,877	\$ 167,207	\$ 172,872	\$ 192,537	\$ 232,244	\$ 324,972	\$ 407,443	\$ 471,933
Business-type activities										
Net investment in capital assets	\$ 104,584	\$ 104,380	\$ 102,749	\$ 104,939	\$ 135,200	\$ 147,820	\$ 181,185	\$ 202,626	\$ 220,327	\$ 225,236
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	48,354	53,767	62,759	65,281	46,298	46,393	44,345	49,435	66,894	59,682
Total business-type activities net position	\$ 152,938	\$ 158,147	\$ 165,508	\$ 170,220	\$ 181,498	\$ 194,213	\$ 225,530	\$ 252,061	\$ 287,221	\$ 284,918
Primary government										
Net investment in capital assets	\$ 243,765	\$ 242,405	\$ 248,446	\$ 251,422	\$ 286,021	\$ 320,051	\$ 389,537	\$ 501,522	\$ 604,160	\$ 671,740
Restricted	1,076	4,138	4,019	5,251	7,352	6,090	10,486	8,279	10,340	11,128
Unrestricted	66,472	69,577	76,920	80,754	60,997	60,609	57,751	67,232	80,164	73,983
Total primary government net position	\$ 311,313	\$ 316,120	\$ 329,385	\$ 337,427	\$ 354,370	\$ 386,750	\$ 457,774	\$ 577,033	\$ 694,664	\$ 756,851

TOWN OF APEX, NORTH CAROLINA
CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(000's omitted)

Table 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government	\$ 7,042	\$ 7,380	\$ 7,987	\$ 7,941	\$ 8,761	\$ 9,235	\$ 9,851	\$ 10,069	\$ 10,584	\$ 11,746
Public Safety	10,971	11,994	12,878	13,836	14,692	15,491	16,623	19,644	21,076	21,019
Public Works	5,917	6,427	7,023	7,350	6,644	8,854	8,697	13,241	16,523	18,984
Environmental Protection	3,097	3,163	3,304	3,270	3,532	3,794	4,006	3,394	3,642	4,147
Culture and recreation	3,551	3,786	3,963	4,272	4,381	4,811	5,336	5,519	5,750	6,395
Interest on long-term debt	1,083	935	862	917	974	944	822	764	1,073	1,510
Total governmental activities expenses	31,661	33,685	36,017	37,586	38,984	43,129	45,335	52,631	58,648	63,801
Business-type activities										
Water and Sewer	11,462	11,124	11,473	13,304	14,196	15,498	18,485	20,140	22,334	24,462
Electric	26,702	27,223	28,330	28,335	29,530	31,674	31,179	34,154	34,215	37,018
Total business-type activities expenses	38,164	38,347	39,803	41,639	43,726	47,172	49,664	54,294	56,549	61,480
Total primary government expenses	\$ 69,825	\$ 72,032	\$ 75,820	\$ 79,225	\$ 82,710	\$ 90,301	\$ 94,999	\$ 106,925	\$ 115,197	\$ 125,281
Program Revenues										
Governmental activities										
Charges for services:										
General government	\$ 559	\$ 918	\$ 891	\$ 1,218	\$ 1,840	\$ 2,557	\$ 3,501	\$ 4,960	\$ 5,638	\$ 5,080
Public Safety ⁽¹⁾	275	1,020	51	14	14	11	15	17	12	-
Culture and recreation	616	858	1,097	1,706	1,553	2,324	323	4,892	5,149	4,539
Public Works	301	169	299	228	398	636	2,953	1,487	1,152	220
Environmental Protection	2,340	2,389	2,465	2,574	2,683	2,814	3,029	3,351	3,629	4,193
Operating grants and contributions	1,276	1,168	2,315	3,189	2,897	3,008	3,073	3,773	4,276	2,865
Capital grants and contributions	4,555	4,277	10,174	5,074	6,472	23,058	38,469	92,297	98,076	65,952
Total governmental activities program revenues	9,922	10,799	17,292	14,003	15,857	34,408	51,363	110,777	117,932	82,849
Business-type activities										
Charges for services:										
Water and Sewer	11,106	12,964	28,901	15,797	16,448	12,949	13,374	14,457	16,260	17,408
Electric	27,514	29,686	13,809	29,069	31,599	32,646	33,299	36,224	38,364	40,807
Capital grants and contributions	2,825	805	4,362	2,603	6,478	14,977	34,121	29,850	37,863	14,231
Total business-type activities program revenues	41,445	43,455	47,072	47,469	54,525	60,572	80,794	80,531	92,487	72,446
Total primary government program revenues	\$ 51,367	\$ 54,254	\$ 64,364	\$ 61,472	\$ 70,382	\$ 94,980	\$ 132,157	\$ 191,308	\$ 210,419	\$ 155,295

TOWN OF APEX, NORTH CAROLINA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net (expense)/revenue	\$ (21,739)	\$ (22,886)	\$ (18,726)	\$ (23,583)	\$ (23,127)	\$ (8,721)	\$ 6,028	\$ 58,146	\$ 59,293	\$ 19,048
Governmental activities	3,281	5,108	7,269	5,830	10,799	13,400	31,130	26,237	35,938	10,966
Business-type activities	\$ (18,458)	\$ (17,778)	\$ (11,457)	\$ (17,753)	\$ (12,328)	\$ 4,679	\$ 37,158	\$ 84,383	\$ 95,231	\$ 30,014
Total primary government net expenses										
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	14,475	14,722	15,063	17,837	18,969	19,547	20,676	22,987	24,665	29,498
Sales taxes	4,843	5,189	6,293	6,665	7,219	7,959	8,753	9,407	10,109	11,038
Motor vehicle licenses	136	136	143	148	202	168	176	329	345	791
Miscellaneous taxes	28	35	36	42	47	51	56	65	271	82
Unrestricted grants and contributions	1,996	2,104	2,415	2,122	2,176	2,859	2,971	2,971	3,028	3,261
Investment earnings	89	83	48	53	25	24	95	202	562	1,621
Miscellaneous	1,398	214	631	375	553	398	364	475	536	475
Transfers	-	-	-	-	(400)	-	-	-	-	-
Total governmental activities	22,965	22,483	24,629	27,242	28,791	31,006	33,091	36,436	39,516	46,766
Business-type activities										
Investment earnings	187	177	93	115	51	71	133	264	694	1,453
Miscellaneous	-	-	-	5	28	10	54	30	39	59
Transfers	-	-	-	-	400	-	-	-	-	-
Total business-type activities	187	177	93	120	479	81	187	294	733	1,512
Total primary government	\$ 23,152	\$ 22,660	\$ 24,722	\$ 27,362	\$ 29,270	\$ 31,087	\$ 33,278	\$ 36,730	\$ 40,249	\$ 48,278
Special Item: Legal Settlement										
Total governmental activities	-	-	-	-	-	-	-	-	-	(699)
Total business-type activities	-	-	-	-	-	-	-	-	-	(14,658)
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,357)
Change in Net Position										
Governmental activities	\$ 1,226	\$ (403)	\$ 5,903	\$ 3,659	\$ 5,664	\$ 22,285	\$ 39,119	\$ 94,582	\$ 98,809	\$ 65,115
Business-type activities	3,468	5,285	7,362	5,950	11,278	13,481	31,317	26,531	36,671	(2,180)
Total primary government	\$ 4,694	\$ 4,882	\$ 13,265	\$ 9,609	\$ 16,942	\$ 35,766	\$ 70,436	\$ 121,113	\$ 135,480	\$ 62,935

Notes

(1) Merger with Apex EMS completed March 2010.

TOWN OF APEX, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Motor Vehicle Licenses</u>	<u>Beer & Wine Tax</u>	<u>Rental Vehicle Tax</u>	<u>Total</u>
2010	14,484,023	4,842,500	1,886,159	134,137	44,581	27,850	21,419,250
2011	14,728,071	5,189,227	1,682,919	136,292	142,249	32,452	21,911,210
2012	15,094,213	6,292,886	1,962,575	143,276	163,556	36,518	23,693,024
2013	17,818,627	6,664,708	1,811,003	147,239	156,234	42,333	26,640,144
2014	19,041,293	7,218,751	1,839,512	210,725	173,957	46,941	28,531,179
2015	19,577,741	7,959,043	2,471,056	176,038	195,186	51,335	30,430,399
2016	20,708,708	8,752,692	2,567,708	179,814	187,787	56,331	32,453,040
2017	22,995,117	9,406,835	2,529,054	333,116	202,523	65,499	35,532,144
2018	24,672,063	10,109,296	2,647,424	545,363	202,218	73,883	38,250,247
2019	29,525,234	11,038,256	2,765,367	790,883	209,435	82,207	44,411,382

TOWN OF APEX, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(000's omitted)

Table 4

	<u>2010</u>	<u>2011</u> ⁽¹⁾	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Reserved	\$ 2,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,213	-	-	-	-	-	-	-	-	-
Nonspendable	-	80	80	111	101	142	166	115	114	163
Restricted	-	3,046	4,379	4,154	5,877	5,377	7,179	7,569	9,640	10,431
Committed	-	-	-	-	-	-	677	776	842	850
Assigned	-	620	1,533	1,538	1,500	1,012	1,826	-	2,358	2,327
Unassigned	-	12,623	11,608	13,983	14,299	15,190	15,467	19,377	21,883	26,062
Total General Fund	\$ 15,172	\$ 16,369	\$ 17,600	\$ 19,786	\$ 21,777	\$ 21,721	\$ 25,315	\$ 27,837	\$ 34,837	\$ 39,833
All other governmental funds										
Reserved	\$ 702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	552	-	-	-	-	-	-	-	-	-
Capital project funds	6,790	-	-	-	-	-	-	-	-	-
Permanent funds	374	-	-	-	-	-	-	-	-	-
Nonspendable	-	714	718	716	717	713	712	709	700	697
Restricted	-	-	-	-	759	-	2,595	-	20,177	18,237
Committed	-	4,068	2,205	5,727	1,920	3,509	3,999	5,476	8,507	12,032
Assigned	-	696	1,114	2,749	3,138	2,934	2,833	5,202	6,622	7,204
Unassigned	-	-	(31)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 8,418	\$ 5,478	\$ 4,006	\$ 9,192	\$ 6,534	\$ 7,156	\$ 10,139	\$ 11,387	\$ 36,006	\$ 38,170

Notes:

⁽¹⁾ Beginning fiscal year 2011, fund balance has been reclassified based on GASB 54 guidelines.

TOWN OF APEX, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 ('000's omitted)

Table 5

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues										
Ad valorem taxes	\$ 14,484	\$ 14,728	\$ 15,094	\$ 17,819	\$ 19,041	\$ 19,577	\$ 20,709	\$ 22,995	\$ 24,672	\$ 29,525
Other taxes and licenses	5,004	5,358	6,473	6,854	7,477	8,186	8,989	9,672	10,729	11,121
Unrestricted intergovernmental	1,996	2,104	2,415	2,122	2,176	2,859	2,971	2,971	3,028	3,261
Restricted intergovernmental	2,141	2,221	3,667	4,280	3,285	4,341	3,555	4,306	5,617	2,865
Permits and fees	886	1,410	1,746	2,515	3,078	4,652	5,945	10,461	10,948	5,080
Sales and services	3,192	3,957	3,055	3,211	3,410	3,691	3,874	4,380	4,629	5,282
Investment earnings	89	73	38	32	25	24	95	201	562	815
Miscellaneous	1,568	221	648	425	585	413	397	560	848	592
Total revenues	\$ 29,360	\$ 30,072	\$ 33,136	\$ 37,258	\$ 39,077	\$ 43,743	\$ 46,535	\$ 55,546	\$ 61,033	\$ 58,541
Expenditures										
General government	\$ 6,551	\$ 6,510	\$ 6,892	\$ 6,945	\$ 7,636	\$ 8,251	\$ 8,864	\$ 8,688	\$ 9,238	\$ 11,173
Public safety	10,156	11,202	11,676	12,757	13,462	14,487	15,534	17,173	18,479	21,392
Public works	1,569	1,872	2,255	2,460	1,692	3,578	2,593	5,124	5,727	6,435
Environmental protection	2,933	2,987	3,137	3,177	3,426	3,680	3,887	3,208	3,417	4,085
Cultural and recreation	2,716	2,675	2,792	2,999	3,323	3,555	3,682	3,674	3,884	5,515
Capital projects	6,602	3,989	4,636	5,532	6,855	8,718	6,928	9,994	14,918	-
Debt Service										
Principal	1,635	1,652	1,655	1,809	2,134	2,134	2,667	3,028	3,870	2,904
Interest	1,087	1,040	835	882	816	732	817	886	1,012	1,666
Bond issuance costs	-	-	-	139	-	-	-	-	-	-
Total expenditures	\$ 33,249	\$ 31,927	\$ 33,878	\$ 36,700	\$ 39,344	\$ 45,135	\$ 44,972	\$ 51,775	\$ 60,545	\$ 53,170
Excess of revenues over (under) expenditures	(3,889)	(1,855)	(742)	558	(267)	(1,392)	1,563	3,771	488	5,371
Other financing sources (uses)										
Issuance of debt	-	8,302	502	5,000	-	2,226	4,500	-	6,000	-
Payment to refund debt	(2,900)	(8,190)	-	(4,903)	-	(6,421)	-	-	-	-
Bonds issued	-	-	-	6,000	-	6,424	-	-	24,105	-
Premium on bond issuance	-	-	-	267	-	-	-	-	1,026	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Transfers in	2,163	331	780	548	-	-	3,729	3,932	4,578	2,466
Transfers out	(2,163)	(331)	(780)	(548)	(400)	-	(3,804)	(3,932)	(4,578)	(2,144)
Total other financing sources (uses)	(2,900)	112	502	6,364	(400)	2,229	4,425	-	31,131	322
Special Item										
Legal Settlement	-	-	-	-	-	-	-	-	-	(699)
Net change in fund balances	\$ (6,789)	\$ (1,743)	\$ (240)	\$ 6,922	\$ (667)	\$ 837	\$ 5,988	\$ 3,771	\$ 31,619	\$ 4,994
Debt service as a percentage of noncapital expenditures	10.2%	9.6%	8.5%	9.1%	9.1%	7.9%	9.2%	9.4%	10.7%	8.6%

TOWN OF APEX, NORTH CAROLINA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Real Property	Public Service Property	Motor Vehicles	Other Personal Property	Total Taxable Assessed Value	Tax Rate per \$100 Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2010	3,753,659,201	28,803,053	289,511,177	156,402,451	4,228,375,882	.34	4,153,302,698	101.8%
2011	3,822,880,479	28,566,184	293,770,882	169,973,631	4,315,191,176	.34	4,146,984,435	104.1%
2012	3,895,366,651	28,331,495	314,564,526	176,398,505	4,414,661,177	.34	4,194,168,725	105.3%
2013	3,993,835,605	28,357,179	351,764,850	197,998,753	4,571,956,387	.39	4,345,890,221	105.2%
2014	4,134,621,000	27,413,463	484,815,641	193,348,102	4,840,198,206	.39	4,621,102,309	104.7%
2015	4,373,110,017	27,414,807	418,989,744	174,630,304	4,994,144,872	.39	5,176,357,789	96.5%
2016	4,587,815,785	35,243,115	462,157,692	196,820,588	5,282,037,180	.39	5,330,064,454	99.1%
2017	5,290,258,644	34,099,710	500,589,928	193,783,561	6,018,731,843	.38	6,478,754,334	92.9%
2018	5,733,300,011	37,843,842	535,295,790	153,617,463	6,460,057,106	.38	6,958,604,933	92.8%
2019	6,282,148,101	39,532,810	535,295,790	225,320,890	7,082,297,591	.415	7,628,571,339	92.8%

TOWN OF APEX, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
June 30, 2019

Table 7

Fiscal Year	Town of Apex	Wake County	Combined Tax Rate Per \$100 of Assessed Value
2010	.34	.534	.874
2011	.34	.534	.874
2012	.34	.534	.874
2013	.39	.534	.924
2014	.39	.578	.968
2015	.39	.578	.968
2016	.39	.6145	1.0045
2017	.38	.6005	.9805
2018	.38	.615	.995
2019	.415	.6544	1.069

TOWN OF APEX, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
 June 30, 2019

Table 8

Fiscal Year Ended	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
				Amount	Percentage of Original Levy	Amount	Subsequent Years	Amount	Percentage of Levy
June 30									
2010	14,471,733	(11,067)	14,460,666	14,349,613	99.2	100,810	100,810	14,450,423	99.9
2011	14,724,826	(6,227)	14,718,599	14,598,651	99.2	110,030	110,030	14,708,681	99.9
2012	15,080,217	(4,167)	15,076,050	14,946,582	99.1	94,696	94,696	15,041,278	99.8
2013	17,819,954	(5,341)	17,814,613	17,681,021	99.3	123,879	123,879	17,804,900	99.9
2014	18,937,765	(1,107)	18,936,658	18,869,293	99.6	50,803	50,803	18,920,096	99.9
2015	19,525,453	(5,777)	19,519,676	19,482,708	99.8	26,463	26,463	19,509,171	99.9
2016	20,668,145	(7,038)	20,661,107	20,645,326	99.9	6,124	6,124	20,651,450	100.0
2017	22,979,651	(4,339)	22,975,312	22,953,997	99.9	15,442	15,442	22,969,439	100.0
2018	24,666,208	(1,383)	24,664,825	24,631,157	99.9	15,126	15,126	24,646,283	99.9
2019	29,496,802	-	29,496,802	29,465,485	99.9	-	-	29,465,485	99.9

TOWN OF APEX, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS AND ELECTRIC RATEPAYERS
Current Year and Nine Years Ago

Electric Ratepayer	2019				2010			
	Consumption kWh	Annual Electric Charges	Rank	Percentage of Total Electric Charges	Consumption kWh	Annual Electric Charges	Rank	Percentage of Total Electric Charges
Town of Cary	14,591,800	\$ 699,318	1	2.06%				
Wake County Public Schools	10,275,720	694,941	2	1.92	6,538,280	\$ 717,005	1	2.72%
Food Lion	3,249,000	178,850	3	0.49	2,916,520	202,008	6	0.56
Cambridge Village of Apex	2,003,279	162,578	4	0.45				
Wake Med Property Services	2,343,360	146,453	5	0.40	2,017,360	130,768	9	0.36
Lowe's Foods	2,378,240	146,255	6	0.40	2,603,040	204,189	5	0.56
Time Warner Cable	1,869,240	142,108	7	0.39				
Harris Teeter	2,302,264	141,616	8	0.39	2,823,840	226,655	2	0.63
Target Corporation	2,640,120	127,497	9	0.35	3,960,360	224,554	3	0.62
Lowe's Home Improvement	2,014,480	125,954	10	0.35	2,551,440	166,659	8	0.46
Kroger					2,574,400	209,527	4	0.58
Home Depot					2,270,080	187,094	7	0.52
Kohl's					1,206,880	106,763	10	0.29
Totals		\$ 2,565,570				\$ 2,375,222		
Total Sales of Electricity =		\$ 36,239,086				\$ 26,367,316		

TOWN OF APEX, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Table 10

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita
	General Obligation Bonds	Installment Financings	General Obligation Bonds	Installment Financings	Revenue Bonds			
2010	17,061,476	8,190,000	486,315	980,904	6,925,000	33,643,695	2.4	953
2011	15,903,785	7,815,000	30,000	1,278,264	6,442,250	31,469,299	2.5	824
2012	14,761,094	7,811,652	35,614,283	12,109,011	6,133,000	76,429,040	5.8	1,939
2013	20,518,562	7,143,146	36,778,577	18,417,633	5,716,000	88,573,918	6.2	2,162
2014	19,002,695	6,474,495	36,019,342	18,181,189	5,284,000	84,961,721	5.4	2,074
2015	17,516,827	8,122,600	35,260,105	24,628,745	4,836,000	90,364,277	5.4	1,994
2016	16,030,960	11,390,520	34,500,869	23,945,875	4,372,000	90,240,224	5.1	1,899
2017	14,560,093	9,781,958	33,686,633	22,375,007	3,891,000	84,294,691	4.4	1,702
2018	37,102,347	14,437,103	32,817,396	20,790,138	3,393,000	108,539,984	5.2	2,015
2019	35,139,879	13,393,310	31,888,160	19,305,694	2,877,000	102,604,043	4.5	1,765

Notes:

(1) See Table 14 for personal income data

TOWN OF APEX, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2010	17,547,791	0.43%	497
2011	15,933,785	0.37%	417
2012	50,375,377	1.20%	1,278
2013	57,297,139	1.32%	1,399
2014	55,022,037	1.19%	1,282
2015	52,776,932	1.02%	1,165
2016	50,531,829	0.95%	1,063
2017	48,246,726	0.74%	974
2018	69,919,743	1.08%	1,298
2019	67,028,039	0.88%	1,153

Notes:

⁽¹⁾ See Table 6 for estimated taxable values of property.

⁽²⁾ See Table 14 for estimated population data.

TOWN OF APEX, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES BONDED DEBT
As of June 30, 2018

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Wake County General Obligation Bonds	\$ 1,709,028,235	4.48%	\$ 76,564,465
Town of Apex governmental activities debt			<u>48,533,189</u>
Total direct and overlapping debt			<u><u>\$ 125,097,654</u></u>

Notes:

⁽¹⁾ Percentage based on total assessed property values.

⁽²⁾ Excludes bonded debt for business-type activities.

TOWN OF APEX, NORTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

(Amounts in Thousands, Except Current Year Calculation)

Table 13

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 338,270	\$ 345,215	\$ 353,173	\$ 365,756	\$ 387,216	\$ 399,531	\$ 422,562	\$ 481,498	\$ 516,805	\$ 566,584
Total net debt applicable to limit	\$ 25,400	\$ 23,860	\$ 22,710	\$ 26,993	\$ 25,477	\$ 25,639	\$ 27,421	\$ 24,342	\$ 51,540	\$ 51,540
Legal debt margin	\$ 312,870	\$ 321,355	\$ 330,463	\$ 338,763	\$ 361,739	\$ 373,892	\$ 395,141	\$ 457,156	\$ 465,265	\$ 515,044
Total net debt applicable to the limit as a percentage of debt limit	7.51%	6.91%	6.43%	7.38%	6.58%	6.42%	6.49%	5.06%	9.97%	9.10%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 7,082,297,591
Debt limit - 8% of assessed value	566,583,807
Total debt applicable to limit	48,533,189
Legal debt margin	\$ 518,050,618

**TOWN OF APEX, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Table 14

Fiscal Year	Population (1)	Personal Income (000's)	Per Capita Personal Income (1) (2)	Unemployment Rate (3)
2010	35,288	1,416,659	38,931	6.8
2011	38,180	1,266,507	33,172	6.3
2012	39,412	1,321,445	33,529	5.8
2013	40,970	1,465,538	35,771	5.4
2014	42,920	1,570,597	36,594	5.1
2015	45,317	1,676,820	37,002	4.0
2016	47,525	1,848,057	38,886	3.5
2017	49,541	1,926,451	38,886	3.2
2018	53,862	2,094,478	38,886	2.9
2019	58,135	2,260,638	38,886	3.3

Notes:

- (1) Town of Apex Planning Department.
- (2) Apex Chamber of Commerce demographics, Bureau of Economic Analysis Apex and US Census Bureau. Information for 2017-2019 not available.
- (3) North Carolina Department of Commerce - Department of Employment Security.

TOWN OF APEX, NORTH CAROLINA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 15

Taxpayer	2019			2010		
	Estimated Number of Employees (1)	Rank	Percentage of Total Town Employment	Estimated Number of Employees (1)	Rank	Percentage of Total Town Employment
Wake County Public Schools	1763	1	6.41%	900	1	5.67%
Apex Tool Group	526	2	1.91%	363	2	2.28%
Town of Apex	504	3	1.83%	315	5	1.98%
Dell Inc. (EMC)	500	4	1.82%	345	3	2.17%
ATI Industrial Automation	355	5	1.29%			
Super Target	250	6	0.91%	337	4	
Costco	239	7	0.87%			
Bland Landscaping	138	9	0.50%	163	7	1.03%
Tipper Tie, Inc.	131	8	0.48%	135	9	0.85%
Polyzen	125	10	0.45%			
NC Department of Corrections				130	8	0.82%
WalMart				225	6	1.42%
Hare Pipeline				61	10	0.38%
Totals	4,531			2,974		
Total Employed in Apex (2)	27,511			15,887		

Notes:

- (1) Estimated employees by taxpayer based on Town of Apex, Economic Development and employer verification - Town's Finance Department.
- (2) Total employed in Apex from Employment Security Commission "Local Area Unemployment Statistics" or LAUS.

TOWN OF APEX, NORTH CAROLINA
EMPLOYEE POSITION AUTHORIZATION BY DEPARTMENT ^{(1) (2)}
Last Ten Fiscal Years
June 30, 2019

Table 16

Fiscal Year	Admin- istration	Planning	Public Safety ⁽³⁾	Streets	Public Works	Parks & Recreation
2010	36	12	136	8	4	19
2011	37	12	136	8	4	20
2012	37	12	140	9	2	20
2013	38	12	148	10	2	21
2014	39	15	147	10	2	24
2015	40	16	156	11	5	24
2016	41	16	158	11	5	24
2017	47	17	188	13	7	27
2018	45	17	195	18	8	28
2019	49	18	193	19	8	35

Notes:

- ⁽¹⁾ Permanent employees only, does not include temporary or seasonal employees.
- ⁽²⁾ Authorized employee positions provided by HR and Budgets.
- ⁽³⁾ Effective July 1, 2018 Apex EMS transferred to Wake County.

Fleet & Facilities	Environmental Protection	Water/ Sewer	Electric	Construction Management	Year Total
7	16	32	24	21	315
7	16	31	25	20	316
7	16	32	27	21	323
7	16	34	29	22	339
8	16	35	29	23	348
8	17	34	28	24	363
8	17	34	28	24	366
10	17	34	32	19	411
11	31	37	34	19	443
10	35	44	35	21	467

**TOWN OF APEX, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Table 17

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	925	746	639	758	516	504	464	484	484	682
Parking violations	77	124	216	193	215	235	256	426	394	529
Traffic violations	8,137	8,004	5,882	5,787	7,074	6,047	6,904	8,169	7,414	7,051
Fire										
Number of calls answered	2,211	2,433	2,214	2,567	2,635	2,881	2,822	3,009	3,034	3,972
Highways and streets										
Street resurfacing (miles)	0	0.9	3.8	8.6	0	9.9	0.0	20.1	22.2	2.6
Environmental Protection										
Number of households served	11,254	11,432	11,717	12,036	12,476	13,689	14,604	15,445	16,257	17,838
Solid waste collected (tons/day)	34.77	31.73	28.71	29.77	27.06	30.62	32.68	34.89	37.71	41.58
Recyclables collected (tons/day)	8.03	9.98	7.47	7.62	8.53	9.91	11.03	10.82	10.89	11.62
Mulching and composting (tons/day)	14.19	13.55	15.16	17.01	15.71	16.80	17.92	17.89	16.71	21.54
Cultural and recreation										
Number of program/activity participants	39,691	40,919	42,731	45,709	49,022	59,808	63,396	60,958	63,978	62,896
Water										
Number of customers	13,058	13,251	13,587	14,042	14,103	14,770	15,459	17,209	18,697	20,423
Average daily consumption (millions of gallons)	2.98	2.86	2.95	2.81	3.08	3.3	3.37	3.58	3.79	3.75
Wastewater										
Number of customers	12,616	12,771	13,071	13,240	13,840	14,485	15,207	16,949	18,431	20,156
Average daily sewage treatment (millions of gallons)	2.49	2.26	2.32	2.72	2.78	2.68	2.79	2.85	3.38	3.86
Electric										
Number of customers	13,952	14,109	14,540	15,389	16,016	16,682	17,314	18,936	20,363	22,269
Average daily consumption (kilowatt-hours)	773,613	710,423	765,975	744,098	780,614	833,966	846,098	877,824	939,159	969,098

Source: Town of Apex - Finance, Police, Fire, Parks & Recreation, and Public Works departments

**TOWN OF APEX, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Table 18

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol Units	40	45	47	50	49	80	80	81	82	88
K-9 Units	0	0	0	0	0	1	1	2	2	2
Fire stations	4	4	4	4	4	4	4	4	5	5
Streets										
Streets (miles)	120.69	122.29	127.12	129.15	132.37	140.04	151.04	171.14	193.14	207.17
Streetlights	2,325	2,465	2,582	2,582	2,713	2,775	2,846	3,391	3,479	3,914
Parks and Recreation										
Parks acreage	452.51	452.51	452.51	452.51	452.51	544.51	544.51	544.51	558	618.28
Parks	9	9	9	9	9	10	10	10	11	11
Tennis courts (Adult & Youth)	8	8	8	8	8	20	20	20	20	20
Community centers	1	1	1	1	1	1	1	1	1	1
Cultural Arts Center	1	1	1	1	1	1	1	1	1	1
Lakes	1	1	1	1	1	1	1	1	1	1
Water										
Water lines (miles)	165	170	170	182	194	207	215	269	293	310
Maximum daily treatment capacity (millions of gallons)	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Electric										
Number of delivery points (substations)	3	3	3	3	3	3	3	3	3	3
Miles of service lines ⁽¹⁾	279	315	355	355	537	554	569	569	681	764
Sewer										
Sanitary sewer lines (miles)	175	186.5	189	189	189	207	239	249	280	296
Maximum daily treatment capacity (millions of gallons)	4.6	4.6	3.8	4.8	5.9	4.7	5.3	5.3	6.0	6.0

Sources:

Town of Apex - Finance, Police, Fire, Parks and Recreation, and Public Works departments.

Notes:

⁽¹⁾ Beginning 2014, information based on current GIS records.

COMPLIANCE SECTION

**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 Town Council
Town of Apex, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apex, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the Town of Apex's basic financial statements and have issued our report thereon dated November 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Apex's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Apex'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (Item 2019-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Apex'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 the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JOYCE AND COMPANY, CPA
Cary, North Carolina

November 1, 2019

**Report on Compliance for the Major State Program;
Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for the Major State Program

We have audited the Town of Apex, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Apex's major state program for the year ended June 30, 2019. The Town of Apex's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major State Program

In our opinion, the Town of Apex complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Apex is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and

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

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

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

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 1, 2019

Town of Apex, North Carolina
Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	yes	_____	no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	_____	yes	_____	none reported
Noncompliance material to financial statement noted	_____	yes	_____	no

Federal Awards

The Town of Apex has no major federal programs.

State Awards

Internal control over major state program:				
• Material weakness(es) identified?	_____	yes	_____	no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	_____	yes	_____	none reported

Type of auditor's report issued on compliance for major state program: Unmodified

Identification of major state program: Powell Bill

Section II. Financial Statement Findings

Significant Deficiency (Item 2019-1)

Criteria Town has a system to review financial statements and associated items on an ongoing basis to verify that all amounts are properly stated.

Condition There were instances where invoices were not recorded in a timely manner, where miscellaneous adjustments were posted in error or just to reconcile an account until the discrepancy was investigated in greater detail and accounts that were not fully reconciled.

Effect Financial statements could be materially misstated and not be detected and corrected.

Cause Lack of complete review of monthly and year-end financial statements by staff.

Recommendation We recommend that management complete a thorough review of all financial statement accounts on a monthly basis and that any corrections, journal entries, etc. be posted at that time to accurately state the financial position and operations of the Town.

Name of Contact Person Vance Holloman, Finance Officer

Corrective Action Finance staff will work with department heads to be certain invoices are submitted to Finance for payment promptly. Procedures for all account reconciliations will be reviewed to be certain that the reconciliation process result in adjustments and corrections that are posted promptly and correctly and that all transactions are recorded in the appropriate reporting period.

Proposed Completion Date December 31, 2019

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

TOWN OF APEX, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the fiscal year ended June 30, 2019

Schedule 23

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass - Through/State Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients	Local Expenditures
<u>FEDERAL GRANTS:</u>						
<u>US Department of Transportation</u>						
Passed through NC Department of Transportation						
<i>Highway Planning and Construction</i>	20.205	WBS Element 42379.1.FD30	\$ 10,910	\$ -	\$ -	\$ 61,605
<i>Highway Planning and Construction</i>	20.205	WBS Element 44527.1.21	4,413	22,173	-	11,394
<i>Total Highway Planning and Construction</i>			15,323	22,173	-	72,999
<u>US Department of Transportation</u>						
Passed through NC Department of Transportation						
<i>Governor's Highway Safety Program</i>	20.600	WBS Element 22018.3.4	25,035	-	-	8,345
<u>US Department of Homeland Security</u>						
Passed through NC Department of Public Safety						
<i>Disaster Grants-Public Assistance (Presidentially Declared Disasters)</i>	97.036	FEMA-4293-DR-NC Mission No. 190685	98,995	32,999	-	-
<u>US Department of Justice</u>						
Direct Program						
Bureau of Justice Assistance						
<i>Bullet Proof Vest Partnership Program</i>	16.607		2,597	-	-	2,597
Total assistance-federal programs			141,950	55,172	-	83,941
<u>STATE GRANT:</u>						
<u>NC Department of Transportation</u>						
<i>Powell Bill Fund</i>	N/A		-	1,257,391	-	-
Total assistance			\$ 141,950	\$ 1,312,563	\$ -	\$ 83,941

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

Basis of Presentation - The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Apex under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Apex, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Apex.

Summary of Significant Accounting Policies - The accompanying schedule of expenditures of federal and state awards is presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The Town of Apex has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.