

TOWN OF BADIN, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

TOWN OF BADIN, NORTH CAROLINA

TOWN COUNCIL

Anne Harwood, Mayor

Deloris Chambers, Mayor Pro-Tem

Ernest Peoples Larry R. Milano

Gary Lowder

OFFICIALS

Town Manager, Finance Director

Jason A. Almond

Town Clerk

Amanda Bowers

TOWN OF BADIN, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Badin, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2019, on my consideration of the Town of Badin, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Town of Badin, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Badin, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive style with a large, stylized "W" and "H".

William R. Huneycutt, CPA, PLLC
Albemarle, North Carolina

December 19, 2019

Management's Discussion and Analysis

As management of the Town of Badin, we offer readers of the Town of Badin's financial statements this narrative overview and analysis of the financial activities of the Town of Badin for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

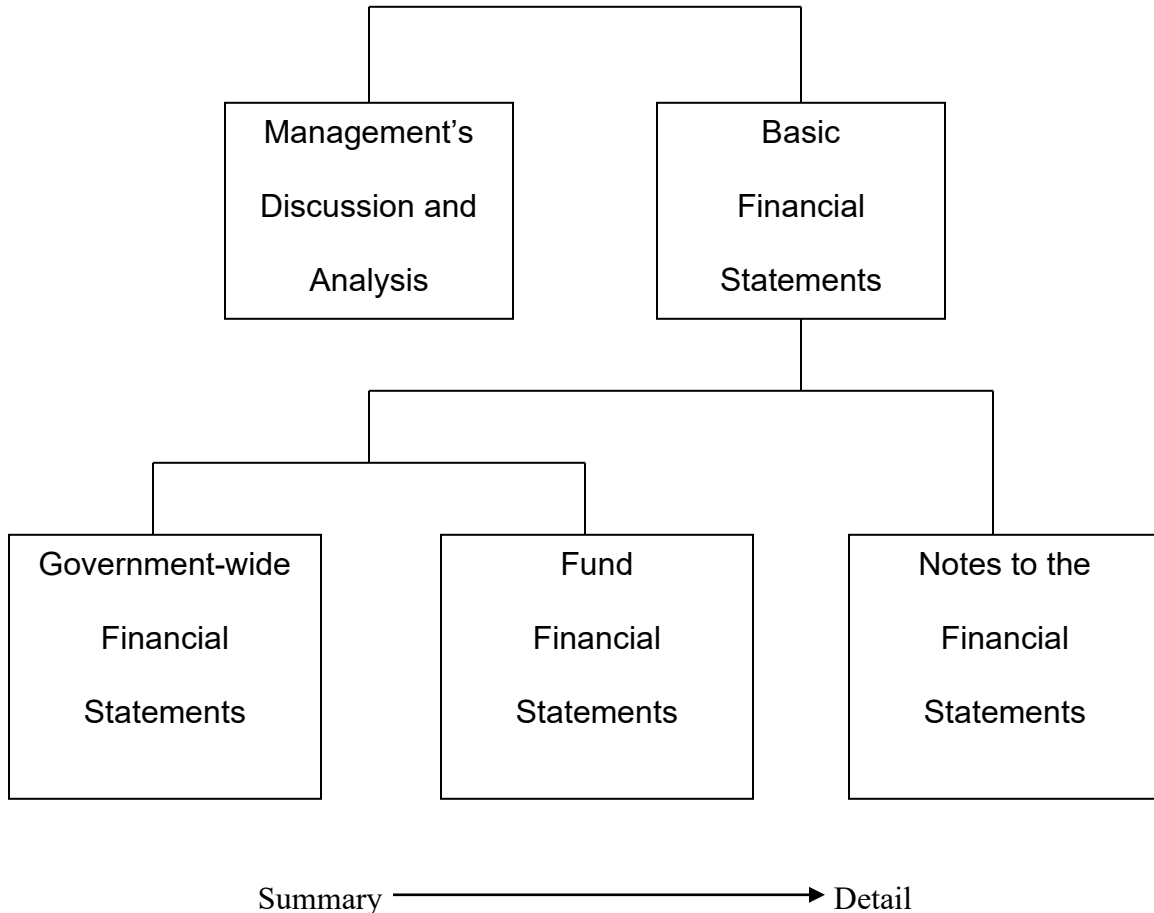
- The assets and deferred outflows of resources of the Town of Badin exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,161,874 (*net position*).
- As of the close of the current fiscal year, the Town of Badin's governmental funds reported combined ending fund balances of \$485,425 with a net decrease of \$374,192 in fund balance.
- The government's total net position increased by \$81,252 primarily due to increased revenues from property taxes and other unrestricted intergovernmental revenues and keeping expenses within budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$73,127 or 5.9 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the

Town of Badin

notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The Town of Badin adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town

Management Discussion and Analysis

Town of Badin

complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

Town of Badin's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$625,439	\$924,221
Capital assets	824,855	368,262
Deferred outflows of resources	113,180	72,341
Total assets	1,563,474	1,364,824
Long-term liabilities outstanding	249,879	200,520
Other liabilities	142,224	79,739
Deferred inflows of resources	9,497	3,943
Total liabilities	401,600	284,202
Net position:		
Net investment in capital assets	824,855	368,262
Restricted	252,765	571,317
Unrestricted	84,254	141,043
Total net position	\$1,161,874	\$1,080,622

Management Discussion and Analysis

Town of Badin

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Badin exceeded liabilities and deferred inflows by \$1,161,874 as of June 30, 2019. The Town's net position increased by \$81,252 for the fiscal year ended June 30, 2019. Approximately 71 percent of the net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Badin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Badin's net position, \$252,765, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$84,254 is unrestricted.

Town of Badin Changes in Net Position
Figure 3

	Governmental Activities 2019	Governmental Activities 2018
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 54,372	\$ 55,057
General revenues:		
Property taxes	249,096	240,753
Other taxes	553,017	528,995
Unrestricted investment earnings	8,950	7,346
Miscellaneous	1,952	10,436
Total revenues	\$ 867,387	\$ 842,587
Expenses:		
General government	183,952	186,040
Public safety	386,294	365,053
Transportation	194,282	197,434
Culture and recreation	21,607	16,944
Total expenses	\$ 786,135	\$ 765,471
Increase/(Decrease) in net position	81,252	77,116
Net position, July 1	1,080,622	1,003,506
Restatement	-	-
Net position, June 30	\$ 1,161,874	\$ 1,080,622

Management Discussion and Analysis

Town of Badin

Governmental activities: Governmental activities increased the Town's net position by \$81,252, thereby accounting for 100 percent of the total increase in the net position of the Town of Badin.

Financial Analysis of the Town's Funds

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

Governmental Funds: The focus of the Town of Badin's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Badin's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Badin. At the end of the current fiscal year, Town of Badin's fund balance available in the General Fund was \$73,127 while total fund balance reached \$484,902. 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.

At June 30, 2019, the governmental funds of Town of Badin reported a combined fund balance of \$485,425, a decrease from last year of \$374,192.

General Fund Budgetary Highlights:

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

Revenues exceeded budgeted amounts primarily because ad valorem tax revenues, other revenues and unrestricted intergovernmental funds the Town received were slightly higher than conservatively budgeted. Also, expenditures were tightly managed to just below budgeted amounts to offset increases in necessary areas and other government spending. As a result, the Town complied with its budgetary requirements.

Town of Badin

Capital Asset and Debt Administration

Capital assets: The Town of Badin's investment in capital assets for its governmental activities as of June 30, 2019, totals \$824,855 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Town of Badin's Capital Assets

Figure 4

	(net of depreciation)	
	Governmental Activities	
	2019	2018
Land	\$20,000	\$20,000
Buildings	54,516	52,297
Improvements other than buildings	709,633	230,781
Machinery and equipment	14,484	25,586
Vehicles and motorized equipment	26,192	39,598
Park improvements	-	-
Total	\$824,855	\$368,262

Additional information on the Town's capital assets can be found in Note 3 of the Basic Financial Statements.

Town of Badin

Economic Factors and Next Year's Budgets and Rates

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

- Residential properties are attracting seasonal residents and quadruplexes are drawing project interest for owner occupation and enhancement.
- Commercial economic recruitment is ongoing with increased client interest but limited private project investment. Industrial endeavors focused on industrial site offerings of Badin Business Park are skewed toward rail service opportunities, largely from efforts by and collaborations with local short line rail tenant Foxville & Northern Rail Company.
- Fiscal management practices remain deliberately conservative as a staff mandate. No municipal debt has accumulated or been otherwise issued. Debt service for municipal street maintenance on Willow Street was highly successful due to patient savings of Powell Bill funds and quality contract labor project execution.
- Revenues from Sales & Use Tax and Property Tax distributions were anticipated to be mostly level but showed slight increases.
- A judicious approach to “larger” expenditures and consistent practice of price negotiation has yielded annual savings.

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

Governmental Activities:

General economy is stable with neutral gain/loss position within the Central Business District. Commercial recruitment is energetic. Industrial activity is limited but stable. Taxable industrial activity is critical to fiscal growth. Staff spending controls and municipal reserves, though limited, mitigate against financial instability but should be viewed as reserve funds rather than “overdraft protection” during budget development and implementation. Avoidance of major debt remains a significant positive financial position. Expect town services to remain at current levels.

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 Town Manager, Jason Alexander Almond, P.O. Box 707 Badin, NC 28009. Jason Alexander Almond can also be contacted by calling (704) 422-3470, or emailing jayalmond@badin.org.

TOWN OF BADIN, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2019

	Primary Government	
	Governmental Activities	Total
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 330,546	\$ 330,546
Accounts receivable	4,145	4,145
Taxes receivable (net)	42,651	42,651
Due from other governments	144,209	144,209
Restricted cash and cash equivalents	103,888	103,888
Total Current Assets	<u>625,439</u>	<u>625,439</u>
Non-Current Assets:		
Capital Assets (Note 1):		
Land, non-depreciable improvements, and construction in progress	20,000	20,000
Other capital assets, net of depreciation	804,855	804,855
Total Capital Assets	<u>824,855</u>	<u>824,855</u>
Total Assets	<u>1,450,294</u>	<u>1,450,294</u>
Deferred Outflows of Resources		
Contributions to pension plan in current fiscal year	27,817	27,817
Pension deferrals	85,363	85,363
Total Deferred Outflows of Resources	<u>113,180</u>	<u>113,180</u>
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilities	16,601	16,601
Compensated absences payable	44,861	44,861
Payable from restricted assets	80,762	80,762
Total Current Liabilities	<u>142,224</u>	<u>142,224</u>
Long -term liabilities:		
Net pension liability	115,770	115,770
Total pension liability	134,109	134,109
Total Long-Term Liabilities	<u>249,879</u>	<u>249,879</u>
Total Liabilities	<u>392,103</u>	<u>392,103</u>
Deferred Inflows of Resources:		
Pension deferrals	9,497	9,497
Total Deferred Inflows of Resources	<u>9,497</u>	<u>9,497</u>
Net Position:		
Net investment in capital assets	824,855	824,855
Restricted for:		
Stabilization by State Statute	148,354	148,354
Transportation	103,888	103,888
Public safety	523	523
Unrestricted	84,254	84,254
Total Net Position	<u>\$ 1,161,874</u>	<u>\$ 1,161,874</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 183,952	\$ -	\$ -	\$ -	\$ (183,952)	\$ (183,952)
Public safety	386,294	-	-	-	(386,294)	(386,294)
Transportation	194,282	-	54,372	-	(139,910)	(139,910)
Cultural and recreational	21,607	-	-	-	(21,607)	(21,607)
Total Primary Government (See Note 1)	\$ 786,135	\$ -	\$ 54,372	\$ -	(731,763)	(731,763)
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					249,096	249,096
Other taxes					553,017	553,017
Unrestricted investment earnings					8,950	8,950
Miscellaneous					1,952	1,952
Total General Revenues					813,015	813,015
Change in Net Position					81,252	81,252
Net Position, Beginning					1,080,622	1,080,622
Net Position, Ending					\$ 1,161,874	\$ 1,161,874

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

TOWN OF BADIN, NORTH CAROLINA**BALANCE SHEET**
GOVERNMENTAL FUNDS

June 30, 2019

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 330,023	\$ 523	\$ 330,546
Restricted cash	103,888		103,888
Receivables, net			
Accounts	4,145	-	4,145
Taxes	42,651	-	42,651
Due from other governments	144,209	-	144,209
Total Assets	\$ 624,916	\$ 523	\$ 621,294
Liabilities:			
Accounts payable	\$ 4,715	\$ -	\$ 4,715
Accrued wages	11,886	-	11,886
Payable from restricted assets	80,762	-	80,762
Total Liabilities	97,363	-	97,363
Deferred Inflows of Resources:			
Property taxes receivable	42,651	-	42,651
Total deferred inflows of resources	42,651	-	42,651
Fund Balances:			
Restricted			
Stabilization by state statute	148,354	-	148,354
Streets	103,888	-	103,888
Assigned			
Drug interdiction fund	-	523	523
Subsequent year's expenditures	159,533	-	159,533
Unassigned	73,127	-	73,127
Total Fund Balance	484,902	523	485,425
Total Liabilities, Deferred Inflows			
of Resources and Fund Balances	\$ 624,916	\$ 523	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

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

Gross capital assets at historical cost	\$ 1,814,501	
Accumulated depreciation	(989,646)	824,855

Deferred outflows of resources related to pensions are not reported in the funds 113,180

Liabilities for earned revenues considered deferred inflows of resources in fund statements 42,651

Net pension liability (115,770)

Total pension liability (134,109)

Pension related deferrals (9,497)

Some liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds (Note 2). (44,861)

Net position of governmental activities \$ 1,161,874

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

TOWN OF BADIN, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	<u>Major Fund</u>		<u>Total Non-Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General</u>				
Revenues:					
Ad valorem taxes	\$ 254,864	\$	-	\$	254,864
Unrestricted intergovernmental	552,952		65		553,017
Restricted intergovernmental	54,372		-		54,372
Investment earnings	8,938		12		8,950
Miscellaneous	1,952		-		1,952
Total Revenues	<u>873,078</u>		<u>77</u>		<u>873,155</u>
Expenditures:					
General government	190,973		-		190,973
Public safety	361,973		-		361,973
Transportation	651,994		-		651,994
Cultural and recreational	42,407		-		42,407
Total Expenditures	<u>1,247,347</u>		<u>-</u>		<u>1,247,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(374,269)</u>		<u>77</u>		<u>(374,192)</u>
Fund Balances, Beginning of Year	<u>859,171</u>		<u>446</u>		<u>859,617</u>
Fund Balances, End of Year	<u>\$ 484,902</u>	\$	<u>523</u>	\$	<u>485,425</u>

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

TOWN OF BADIN, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	(374,192)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	501,377	
Depreciation expense for governmental assets		<u>(44,783)</u>	456,594

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities			27,817
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues			(5,768)
--	--	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences			18,693
Pension expense			<u>(41,892)</u>

Total changes in net position of governmental activities	\$	<u><u>81,252</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF BADIN, NORTH CAROLINA

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

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 230,000	\$ 230,000	\$ 254,864	\$ 24,864
Unrestricted intergovernmental	437,800	452,800	552,952	100,152
Restricted intergovernmental	55,001	55,001	54,372	(629)
Investment earnings	1,149	1,149	8,938	7,789
Miscellaneous	3,500	3,500	1,952	(1,548)
Total Revenues	<u>727,450</u>	<u>742,450</u>	<u>873,078</u>	<u>130,628</u>
Expenditures:				
Current:				
General government	208,250	208,250	190,973	17,277
Public safety	385,580	385,580	361,973	23,607
Transportation	451,025	596,025	651,994	(55,969)
Cultural and recreational	38,500	53,500	42,407	11,093
Total Expenditures	<u>1,083,355</u>	<u>1,243,355</u>	<u>1,247,347</u>	<u>(3,992)</u>
Revenues Over (Under)				
Expenditures	<u>(355,905)</u>	<u>(500,905)</u>	<u>(374,269)</u>	<u>126,636</u>
Fund Balance Appropriated	355,905	500,905		<u>(500,905)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(374,269)	\$ <u>(374,269)</u>
Fund Balances, Beginning of Year			<u>859,171</u>	
Fund Balances, End of Year			\$ <u>484,902</u>	

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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Town of Badin is a municipal corporation in Stanly County that is governed by an elected mayor and a five-member council and has a population of approximately 1,976. The Town provides services which include general government, public safety, streets, zoning, and recreation.

Basis of Presentation

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

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

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

The Town reports the following major governmental fund:

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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Town reports the following non-major governmental fund:

Drug Interdiction Fund. The Drug Interdiction Fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 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.

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

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 30, 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 franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Badin because the tax is levied by Stanly County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply categorical block grant resources to such programs, followed by general revenues.

Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Drug Interdiction Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing council. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash and cash equivalents because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Badin Restricted Cash

Governmental Activities

General Fund

Streets

\$ 103,888

Total Restricted Cash

\$ 103,888

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 September 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of the 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 road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Concluded)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10-20
Buildings	20-40
Improvements	10-20
Vehicles	5-10
Furniture and equipment	5-15
Computer equipment	5

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 no items that meet this criterion. In addition to liabilities, the statements 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 two items that meet the criterion for this category – property taxes receivable and pension deferrals.

Compensated Absences

The vacation policies of the Town provide for the accumulation of 80 to 160 hours of earned vacation leave per year, depending on years of service, with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for the compensated absences and the salary-related payments are recorded as the leave is earned. The amount of vacation time an employee receives depends on the length of the

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Continued)

Compensated Absences (Concluded)

person's employment. The longer a person is employed the more vacation days he or she receives. 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 12 sick days per year with an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 three classifications designed to disclose the hierarchy of constraints place on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits unites 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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity (Concluded)

Fund Balances (Concluded)

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

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

Assigned for Drug Interdiction Fund – portion of fund balance intended for use in drug interdiction within the Town.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

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

Defined Benefit Cost-Sharing Plans

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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transportation activities by \$55,969. This over-expenditure occurred because of an end of year payable amount incurred in an improvement project undertaken by the Town. This over-expenditure was not a typical expense of the Town. Management and the Town Council will more closely review the budget reports to ensure compliance in future years.

Note 3 - Detail Notes on All Funds

Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. At June 30, 2019, the Town's deposits had a carrying amount of \$434,434 and a bank balance of \$454,945. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Continued)

Investments

At June 30, 2019, the Town of Badin had \$523 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables - Allowance for Doubtful Accounts

The Town estimates no allowance for doubtful accounts. Any amounts presented in the Balance Sheet and the Statement of Net Position would be considered immaterial and therefore no allowance is recorded.

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital Assets Being Depreciated:				
Buildings	269,241	7,383	-	276,624
Other improvements	361,087	493,994	-	855,081
Equipment	182,772	-	-	182,772
Vehicles	374,826	-	-	374,826
Park improvements	105,198	-	-	105,198
Total Capital Assets Being Depreciated	1,293,124	501,377	-	1,794,501
Less Accumulated Depreciation For:				
Buildings	216,944	5,164	-	222,108
Other improvements	130,306	15,112	-	145,418
Equipment	157,186	11,102	-	168,288
Vehicles	335,228	13,406	-	348,634
Park improvements	105,198	-	-	105,198
Total Accumulated Depreciation	944,862	\$ 44,784	\$ -	989,646
Total Capital Assets Being Depreciated, Net	348,262			804,855
Governmental Activity Capital Assets, Net	\$ 368,262			\$ 824,855

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Assets (Concluded)

Capital Assets (Concluded)

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

General Government	\$	840
Public Safety		25,715
Transportation		16,529
Cultural and Recreational		<u>1,700</u>
Total Depreciation Expense	\$	<u>44,784</u>

Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service,

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Pension Plan Obligations (Concluded)

Local Governmental Employees' Retirement System (Continued)

at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service of 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 Badin 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 Badin'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, 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 Badin were \$27,817 for the year ended June 30, 2019.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Local Governmental Employees' Retirement System (Concluded)

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 \$115,770 for its proportionate share of the net pension liability. The net pension liability 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 0.00488%, which was an decrease of 0.00082% from the prior year, measured as of June 30, 2017.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$30,726. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Differences between expected and actual experience	17,861	599
Change of assumptions	30,721	-
Net difference between projected and actual earnings on pension plan investments	15,892	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	380	4,433
Town contributions subsequent to the measurement date	<u>27,817</u>	<u>-</u>
	<u><u>\$ 92,671</u></u>	<u><u>\$ 5,032</u></u>

\$27,817 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 29,564
2021	19,040
2022	2,894
2023	8,324
2024	-
Thereafter	<u>-</u>
	<u><u>\$ 59,822</u></u>

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

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	3.50 to 8.10 percent, including inflation and productivity factor
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. 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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	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 3.00%. 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.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

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

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%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 278,090	\$ 115,770	\$ (19,867)

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

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Badin 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 credible service or have attained 55 years of age and have completed five or more years of credible 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.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

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	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	4
Total	<u>4</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in December 31, 2017 valuation. The total pension liability in December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.64 percent

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

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

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

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 of the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town did not have any benefits come 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 \$134,109. 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 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$11,731.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,861	\$ -
Change of assumptions and other inputs	3,648	4,465
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 20,509</u>	<u>\$ 4,465</u>

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

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

Year ended June 30:

2020	\$	3,635
2021		3,635
2022		3,635
2023		3,695
2024		1,443
Thereafter		-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage lower (2.64 percent) or 1-percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 143,048	\$ 134,109	\$ 125,719

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

	2019
Beginning balance	\$ 113,440
Service cost	4,511
Interest on the total pension liability	3,585
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	16,795
Changes of assumptions or other inputs	(4,222)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 134,109</u>

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Law Enforcement Officers Special Separation Allowance (Concluded)

The plan currently uses mortality tables that vary by age, and health status (i.e. disable 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.

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	\$ 30,726	\$ 11,731	\$ 42,457
Pension Liability	115,770	134,109	249,879
Proportionate share of the net pension liability	0.00488%	N/A	

Deferred Outflows of Resources:

Differences between expected and actual experience	17,861	16,861	34,722
Changes of assumptions	30,721	3,648	34,369
Net difference between projected and actual earnings on plan investments	15,892	-	15,892
Changes in proportion and differences between contributions and proportionate share of contributions	380	-	380
Benefits payments and administrative costs paid subsequent to the measurement date	27,817	-	27,817

Deferred Inflows of Resources:

Differences between expected and actual experience	599	-	599
Changes of assumptions	-	4,465	4,465
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,433	-	4,433

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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; and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$7,161 for the reporting year. No amounts were forfeited.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Liabilities (Concluded)

Other Employment Benefits (Concluded)

be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the 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.

Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	27,817
Differences between expected and actual experiences		34,722
Changes of assumptions		34,369
Net difference between projected and actual investment earnings on plan investments		15,892
Changes in proportion and differences between employer contributions and proportional share of contributions		380
Total	\$	<u>113,180</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 42,651
Pension deferrals	9,497	-
Total	<u>\$ 9,497</u>	<u>\$ 42,651</u>

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

Risk Management

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

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

The Town carries flood insurance through the North Carolina League of Municipalities (NCLM). Flood coverage per occurrence is \$1 million. Flood deductible is \$50,000.

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

Claims, Judgments, and Contingent Liabilities

At June 30, 2019, the Town was not involved in any lawsuits.

Long-Term Obligations

At June 30, 2019, the Town of Badin had a legal debt margin of \$4,786,324.

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Concluded)

Changes in Long-Term Liabilities

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Net pension liability (LGERS)	\$ 87,080	\$ 28,690	\$ -	\$ 115,770	\$ -
Total pension liability (LEO)	113,440	20,669	-	134,109	-
Governmental activity long-term liabilities	\$ 200,520	\$ 49,359	\$ -	\$ 249,879	\$ -

Net Investment in Capital Assets

	Governmental
Capital assets	\$ 824,855
Less: long-term debt	-
Net investment in capital asset	\$ 824,855

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	\$ 484,902
Less:	
Stabilization by State Statute	148,354
Streets - Powell Bill	103,888
Appropriated Fund Balance in 2019 budget	159,533
Remaining Fund Balance	\$ 73,127

TOWN OF BADIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 4 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5 – Significant Effects of Subsequent Events

The Town has evaluated all subsequent events through December 19, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

TOWN OF BADIN, NORTH CAROLINA

Town of Badin's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Badin's proportion of the net pension liability (asset) (%)	0.00488%	0.00570%	0.00562%	0.00603%	0.00620%	0.00630%
Badin's proportion of the net pension liability (asset) (\$)	\$ 115,770	\$ 87,080	\$ 119,276	\$ 27,603	\$ (36,565)	\$ 75,939
Badin's covered-employee payroll	\$ 342,763	\$ 338,938	\$ 348,020	\$ 343,680	\$ 344,516	\$ 343,416
Badin's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.78%	25.69%	35.19%	7.78%	(10.64%)	22.04%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	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 ended June 30.

TOWN OF BADIN, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,817	\$ 26,132	\$ 26,568	\$ 24,625	\$ 25,234	\$ 25,143
Contributions in relation to the contractually required contribution	<u>27,817</u>	<u>26,132</u>	<u>26,568</u>	<u>24,625</u>	<u>25,234</u>	<u>25,143</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Badin's covered-employee payroll	\$ 339,405	\$ 342,763	\$ 338,938	\$ 348,020	\$ 343,680	\$ 344,516
Contributions as a percentage of covered-employee payroll	8.20%	7.62%	7.84%	7.08%	7.34%	7.30%

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

TOWN OF BADIN, NORTH CAROLINA

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability - beginning	\$ 113,440	\$ 95,503	\$ 89,855
Service cost	4,511	4,155	4,318
Interest on the total pension liability	3,585	3,686	3,208
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	16,795	4,589	-
Changes of assumptions or other inputs	(4,222)	5,507	(1,878)
Benefit payments	-	-	-
Other changes	-	-	-
Total pension liability - ending	\$ <u>134,109</u>	\$ <u>113,440</u>	\$ <u>95,503</u>

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

TOWN OF BADIN, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 134,109	\$ 113,440	\$ 95,503
Covered payroll	158,159	170,880	176,660
Total pension liability as a percentage of covered payroll	84.79%	66.39%	54.06%

Notes to the schedules:

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

TOWN OF BADIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$	\$ 254,864	\$
Prior years- net		0	
Total	<u>230,000</u>	<u>254,864</u>	<u>24,864</u>
Unrestricted Intergovernmental:			
Utility franchise tax		52,445	
Gasoline tax refund		2,210	
Local option sales taxes		484,987	
Sales tax refund		1,887	
Federal excise tax refund		1,095	
Solid waste disposal tax		1,755	
Alcohol tax		8,573	
Total	<u>452,800</u>	<u>552,952</u>	<u>100,152</u>
Restricted Intergovernmental:			
Powell Bill allocation		54,372	
Total	<u>55,001</u>	<u>54,372</u>	<u>(629)</u>
Investment Earnings	<u>1,149</u>	<u>8,938</u>	<u>7,789</u>
Miscellaneous	<u>3,500</u>	<u>1,952</u>	<u>(1,548)</u>
Total Revenues	\$ <u>742,450</u>	\$ <u>873,078</u>	\$ <u>130,628</u>

TOWN OF BADIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Salaries	\$	\$ 96,438	\$
Fringe benefits		32,603	
Payroll taxes		7,363	
Professional fees		9,339	
Code enforcement		2,293	
Travel and meetings		984	
Telephone and postage		4,698	
Insurance		5,300	
Repairs and maintenance		1,703	
Utilities		2,528	
Dues and subscriptions		4,825	
Contracted services		8,394	
Supplies		1,498	
Miscellaneous		165	
Web page and information technology		743	
Advertising		9,560	
Election expense		275	
Stanly County TDA		2,264	
Total General Government	<u>208,250</u>	<u>190,973</u>	<u>17,277</u>
Public Safety:			
Police Department:			
Salaries		198,336	
Fringe benefits		58,909	
Payroll taxes		15,365	
Contract labor		18,078	
New hire expense		133	
Repairs and maintenance		3,411	
Gas and fuel		12,273	
Telephone and postage		988	
Uniforms		2,601	
Automotive supplies		3,150	
Training expense		589	
Departmental supplies		1,107	
Insurance		10,448	
Miscellaneous		567	
Capital outlay		34,927	
Pistol program		785	
Pagers		306	
Total Public Safety	\$ <u>385,580</u>	\$ <u>361,973</u>	\$ <u>23,607</u>

TOWN OF BADIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (concluded):			
Transportation			
Public Works:			
Salaries	\$	\$ 87,880	\$
Fringe benefits		33,051	
Payroll taxes		6,719	
Repairs and maintenance		6,995	
Utilities		3,434	
Telephone and postage		420	
Insurance		8,269	
Street lights		20,824	
Materials		3,094	
Alley maintenance		1,360	
Repairs and maintenance - streets		471,810	
Miscellaneous		730	
Automotive supplies		800	
Fuel		5,885	
Uniforms		440	
Tools		283	
Total Transportation	<u>596,025</u>	<u>651,994</u>	<u>(55,969)</u>
Cultural and Recreational:			
Utilities		4,005	
Christmas lights		382	
West Badin park		4,350	
East Badin park		786	
Building maintenance		243	
Special events		1,291	
Community clean-up		31,052	
Miscellaneous		298	
Total Cultural and Recreational	<u>53,500</u>	<u>42,407</u>	<u>11,093</u>
Total Expenditures	\$ <u>1,243,355</u>	\$ <u>1,247,347</u>	\$ <u>(3,992)</u>

TOWN OF BADIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues Over (Under) Expenditures	\$ <u>(500,905)</u>	\$ <u>(374,269)</u>	\$ <u>126,636</u>
Fund Balance Appropriated	500,905	-	(500,905)
Net Change in Fund Balance	\$ <u><u>-</u></u>	(374,269)	\$ <u><u>(374,269)</u></u>
Fund Balances, Beginning of Year		<u>859,171</u>	
Fund Balances, End of Year		\$ <u><u>484,902</u></u>	

TOWN OF BADIN, NORTH CAROLINA**DRUG INTERDICTION FUND**
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Drug interdiction fund	\$	\$ 65	\$
Investment earnings		12	
Total Revenues	<u>11</u>	<u>77</u>	<u>66</u>
Expenditures:			
Current:			
Miscellaneous		-	
Total Expenditures	<u>11</u>	<u>-</u>	<u>11</u>
Revenues Over (Under)			
Expenditures	<u>-</u>	<u>77</u>	<u>77</u>
Other Financing Sources (Uses):			
Sale of capital assets	-	-	-
Transfer to other funds:	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	77	\$ <u>77</u>
Fund Balance, Beginning of Year		<u>446</u>	
Fund Balance, End of Year		\$ <u>523</u>	

TOWN OF BADIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 251,282	\$ 238,226	\$ 13,056
2017-2018	21,045	-	13,493	7,552
2016-2017	5,933	-	1,927	4,006
2015-2016	4,030	-	1,395	2,635
2014-2015	2,652	-	256	2,396
2013-2014	2,792	-	74	2,718
2012-2013	3,122	-	170	2,952
2011-2012	2,784	-	262	2,522
2010-2011	1,987	-	35	1,952
2009-2010	1,612	-	-	1,612
2008-2009	1,280	-	30	1,250
2007-2008	1,182	-	1,182	-
	<u>\$ 48,419</u>	<u>\$ 251,282</u>	<u>\$ 257,050</u>	<u>\$ 42,651</u>

Reconcilement with Revenues:

Ad Valorem Taxes - General Fund	\$ 254,864
Reconciling Items:	
Interest, discounts, and other adjustments	1,004
Taxes written off	1,182
Total Collections and Credits	\$ <u>257,050</u>

TOWN OF BADIN, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN - WIDE LEVY**

For the Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 59,913,810	0.42	\$ 251,638	\$ 215,708	\$ 35,930
Penalties	-		-	-	-
Total Original Levy	<u>59,913,810</u>		<u>251,638</u>	<u>215,708</u>	<u>35,930</u>
Discoveries:					
Current year taxes	105,238	0.42	442	442	-
Penalties	-		-	-	-
Total Discoveries	<u>105,238</u>		<u>442</u>	<u>442</u>	<u>-</u>
Abatements:					
Current year taxes	(190,000)	0.42	(798)	(798)	-
Total Abatements	<u>(190,000)</u>		<u>(798)</u>	<u>(798)</u>	<u>-</u>
Total Property Valuation	<u>\$ 59,829,048</u>				
Net levy			251,282	215,352	35,930
Uncollected taxes at June 30, 2019			<u>13,056</u>	<u>13,056</u>	<u>-</u>
Current year's taxes collected			\$ <u>238,226</u>	\$ <u>202,296</u>	\$ <u>35,930</u>
Current levy collection percentage			<u>94.80%</u>	<u>93.94%</u>	<u>100.00%</u>



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**INDEPENDENT AUDITOR'S 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**

To the Town Council
Town of Badin
Badin, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Badin, 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 of Badin, North Carolina's basic financial statements and have issued my report thereon dated December 19, 2019.

Internal Control over Financial Reporting

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-1 that I consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Badin, North Carolina's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-1.

Town of Badin's Response to Findings

Town of Badin, North Carolina's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Town of Badin, North Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Albemarle, North Carolina

December 19, 2019

TOWN OF BADIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
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Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u>	yes	<u> </u>	none reported
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Noncompliance material to financial statements noted	<u> X </u>	yes	<u> </u>	no
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TOWN OF BADIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES (Concluded)

For the Year Ended June 30, 2019

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiency:

Finding 2019-01:

Material Noncompliance - Significant Deficiency

Criteria:	G.S. 159-8(a) states that all moneys received and expended by a local government or public authority must be included in the budget ordinance and that no local government or public authority may expend any moneys, regardless of their source, except in accordance with a budget ordinance or project ordinance.
Condition:	The Town of Badin spent \$55,969 more in the general fund than was appropriated in the annual budget ordinance.
Effect:	Moneys were spent for which there had not been appropriation in the annual budget ordinance.
Cause:	The Town expended more than was appropriated in the annual budget ordinance. Proper budget amendments were not made.
Recommendation:	Budget amendments should be made timely in order to properly appropriate funds for expenditure in the funds.

Views of responsible officials and corrective action. The Town agrees with this finding. Budget amendments will be made timely to plan for expenditures. Accrual entries will be reviewed for potential need for budget amendments.

TOWN OF BADIN, NORTH CAROLINA

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

Finding 2019-01:

Name of contact person:	Jason Almond, Town Manager
Corrective action plan:	Town personnel will monitor budget to actual statements on a regular basis and make necessary budget amendments. Town personnel and finance staff will monitor accrual entries for possible amendments.
Proposed completion date:	Immediately.