

# **Town of Bunn**

Financial Statements

**For the Fiscal Year Ended June 30, 2019**

## **Town Council Members**

Marsha Strawbridge, Mayor

Sherry Mercer

Charlene Clay

Mack Jones

Linda Pippin

## **Administrative and Financial Staff**

Pamela Perry, Town Administrator

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## **Financial Section**



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Association

## Independent Auditor's Report

To the Honorable Mayor  
And Members of the Board of Commissioners  
Town of Bunn  
Bunn, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bunn, 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 Bunn's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Bunn ABC Board which represents 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Bunn ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Bunn, North Carolina as of June 30, 2019, and the respective changes in financial position and cash

flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset(Liability) and Contributions, on pages 53 through 54, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 and 56 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 31, 2019

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

**Town of Bunn, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

As management of the Town of Bunn, we offer readers of the Town of Bunn's financial statements this narrative overview and analysis of the financial activities of the Town of Bunn 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 of the Town of Bunn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,190,380 (net position).
- The government's total net position increased by \$115,105 primarily due to increases in the governmental activities net position.
- At the close of the current fiscal year, the Town of Bunn's governmental funds reported combined ending fund balances of \$817,004 with a net change of \$70,129 in fund balance. Approximately 12.04 percent of this total amount, or \$98,391, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$718,613, or 164.85 percent of total general fund expenditures for the fiscal year.
- The Town of Bunn's total debt decreased by \$51,741 (6.34%) during the current fiscal year. The key factor in this decrease was the Town continued to pay principle payments on existing debt without incurring new debt.

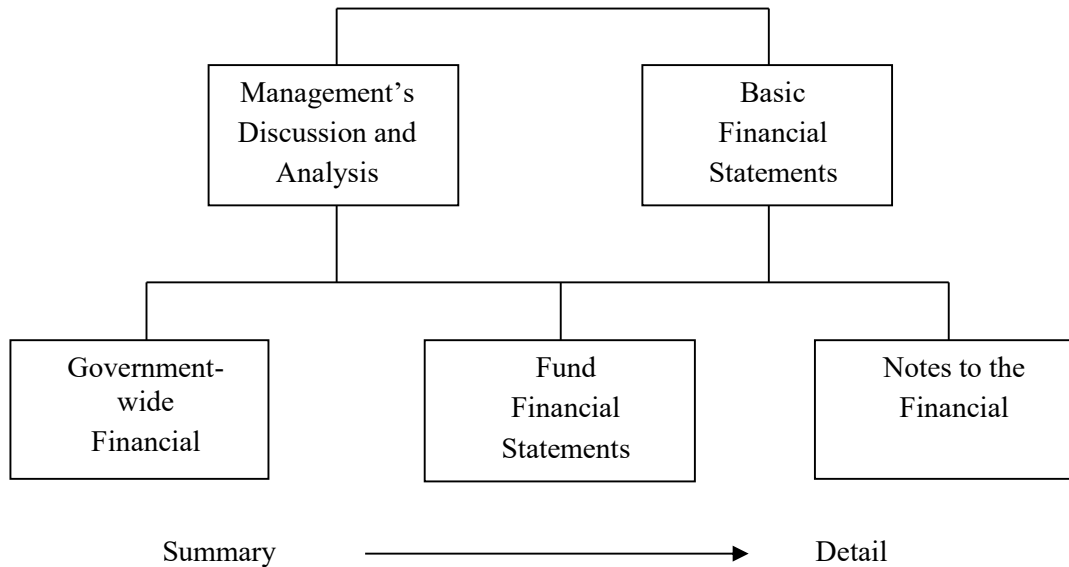
**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Town of Bunn'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 Bunn.



**Town of Bunn, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Required Components of Annual Financial Report  
Figure 1**



### **Basic Financial Statements**

The first two statements (Pages 17 and 18) 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 (Pages 19 through 26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, **Supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the

**Town of Bunn, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Bunn. The final category is the component unit. Although legally separate from the Town, the Town of Bunn ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 17 and 18 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Bunn, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Bunn can be divided into two categories: governmental funds and proprietary funds.

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

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

**Town of Bunn, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27 of this report.

**Government-wide Financial Analysis**  
**Town of Bunn's Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Current and other assets	\$ 841,677	\$ 769,562	\$ 1,061,799	\$ 1,006,474	\$ 1,903,476	\$ 1,776,036
Capital assets	229,221	156,615	2,931,910	3,033,883	3,161,131	3,190,498
Deferred outflows of resources	68,756	48,476	28,440	13,612	97,196	62,088
<b>Total Assets</b>	<b>\$ 1,139,654</b>	<b>\$ 974,653</b>	<b>\$ 4,022,149</b>	<b>\$ 4,053,969</b>	<b>\$ 5,161,803</b>	<b>\$ 5,028,622</b>
Long-term liabilities	\$ 80,136	\$ 70,494	\$ 795,331	\$ 830,810	\$ 875,467	\$ 901,304
Other liabilities	3,143	3,852	60,433	39,246	63,576	43,098
Deferred inflows of resources	31,686	12,173	694	1,948	32,380	14,121
<b>Total Liabilities</b>	<b>\$ 114,965</b>	<b>\$ 86,519</b>	<b>\$ 856,458</b>	<b>\$ 872,004</b>	<b>\$ 971,423</b>	<b>\$ 958,523</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 229,221	\$ 156,615	\$ 2,167,386	\$ 2,217,617	\$ 2,396,607	\$ 2,374,232
Restricted	98,391	90,849	-	-	98,391	90,849
Unrestricted	697,077	640,670	998,305	964,348	1,695,382	1,605,018
<b>Total Net Assets</b>	<b>\$ 1,024,689</b>	<b>\$ 888,134</b>	<b>\$ 3,165,691</b>	<b>\$ 3,181,965</b>	<b>\$ 4,190,380</b>	<b>\$ 4,070,099</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bunn exceeded liabilities and deferred inflows by \$4,190,380 as of June 30, 2019. The Town's net position increased by \$115,105 for the fiscal year ended June 30, 2019. However, the largest portion (57.15%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bunn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bunn's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bunn's net position \$98,391 (2.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,695,382 is unrestricted.

**Town of Bunn, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Town of Bunn's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Revenues:						
Program Revenues:						
Charges for services	\$ 58,326	\$ 1,651	\$ 1,004,869	\$ 955,790	\$ 1,063,195	\$ 957,441
Operating grants and contributions	70,667	75,881	-	-	70,667	75,881
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	185,381	174,608	-	-	185,381	174,608
Grants and contributions not restricted to specific programs	149,204	144,492	-	-	149,204	144,492
Other	44,843	55,653	18,526	36,380	63,369	92,033
Total Revenues	<u>\$ 508,421</u>	<u>\$ 452,285</u>	<u>\$ 1,023,395</u>	<u>\$ 992,170</u>	<u>\$ 1,531,816</u>	<u>\$ 1,444,455</u>
Expenses:						
General government	\$ 89,585	\$ 102,744	\$ -	\$ -	\$ 89,585	\$ 102,744
Public safety	231,901	257,629	-	-	231,901	257,629
Transportation	8,800	-	-	-	8,800	-
Sanitation	46,756	-	-	-	46,756	-
Interest on long-term debt	-	-	4,267	4,729	4,267	4,729
Water and sewer	-	-	1,035,402	944,221	1,035,402	944,221
Total Expenses	<u>\$ 377,042</u>	<u>\$ 360,373</u>	<u>\$ 1,039,669</u>	<u>\$ 948,950</u>	<u>\$ 1,416,711</u>	<u>\$ 1,309,323</u>
Increase in Net Position	\$ 131,379	\$ 91,912	\$ (16,274)	\$ 43,220	\$ 115,105	\$ 135,132
Net Position, July 1	893,310	801,398	3,181,965	3,138,745	4,075,275	3,940,143
Net Position, June 30	<u>\$ 1,024,689</u>	<u>\$ 893,310</u>	<u>\$ 3,165,691</u>	<u>\$ 3,181,965</u>	<u>\$ 4,190,380</u>	<u>\$ 4,075,275</u>

**Town of Bunn, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Governmental Activities.** Governmental activities increased the Town's net position by \$131,379.

**Business-type Activities.** Business-type activities decreased the Town's net position by \$16,274.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Bunn'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 Bunn'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 Bunn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$718,613, while total fund balance reached \$817,004. The Town currently has an available fund balance 164.8 percent of the total General Fund expenditures.

At June 30, 2019, the General Fund of Town of Bunn reported a fund balance of \$718,613 a 9.39 percent increase over last year.

**General Fund Budgetary Highlights.** During the fiscal year, the Town of Bunn made budget revisions. 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.

**Proprietary Funds.** The Town of Bunn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$998,305. The total decrease in net position for the fund was \$16,274. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Bunn's business-type activities.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Bunn's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$3,161,131 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

**Town of Bunn, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Town of Bunn's Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Land and construction in progress	\$ 55,857	\$ 2,664	\$ 34,471	\$ 34,471	\$ 90,328	\$ 37,135
Buildings and systems	10,188	10,787	94,366	97,467	104,554	108,254
Improvements	116,186	121,295	-	496	116,186	121,791
Waste Water Treatment Plant	-	-	1,839,126	1,897,665	1,839,126	1,897,665
Plant and distributive systems	-	-	909,456	986,782	909,456	986,782
Machinery and equipment	4,998	7,498	-	-	4,998	7,498
Vehicles and motorized equipment	41,992	14,372	54,491	17,001	96,483	31,373
Total	\$ 229,221	\$ 156,616	\$ 2,931,910	\$ 3,033,882	\$ 3,161,131	\$ 3,190,498

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2019, the Town of Bunn had construction notes outstanding of \$764,524.

**Town of Bunn's Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Net pension liability	\$ 42,024	\$ 11,427	\$ 30,807	\$ 14,544	\$ 72,831	\$ 25,971
Total pension liability	38,112	59,067	-	-	38,112	59,067
Construction notes	-	-	764,524	816,266	764,524	816,266
Compensated Absences	151	475	4,047	2,352	4,198	2,827
Total	\$ 80,287	\$ 70,969	\$ 799,378	\$ 833,162	\$ 879,665	\$ 904,131

The Town of Bunn's total bonded debt decreased by \$51,741 (6.34%) during the past fiscal year.

Additional information regarding the Town of Bunn's long-term debt can be found in Notes to Basic Financial Statements.

**Town of Bunn, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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

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

- Bunn is a municipality of Franklin County. Franklin County at June 30, 2018 has experienced an unemployment rate of 4.7%, which is slightly above the state average of 4.1%.
- Franklin County had a revaluation effective January 1, 2013. This revaluation had a positive effect on revenues for fiscal year June 30, 2020 and will continue to enhance revenue in the future.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Revenues and expenditures are expected to remain comparable with 2018-2019 revenues and expenditures.

**Business-type Activities:** Revenues and expenditures are expected to remain comparable with 2018-2019 revenues and expenditures.

**Requests for Information**

This report is designed to provide an overview of the Town of Bunn'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 Pamela Perry, Town Clerk, Bunn Town Hall, Bunn, North Carolina.

## **Basic Financial Statements**



**Town of Bunn, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government			Town of Bunn ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 732,108	\$ 977,084	\$ 1,709,192	\$ 141,222
Restricted cash	51,379	15,326	66,705	-
Taxes receivables (net)	9,634	-	9,634	-
Accrued interest receivable on taxes	1,547	-	1,547	-
Accounts receivable (net) - trade	5,954	92,865	98,819	-
Due from other governments	17,579	-	17,579	-
Internal balances	23,476	(23,476)	-	-
Inventories	-	-	-	89,844
Prepaid items	-	-	-	4,815
Total Current Assets	841,677	1,061,799	1,903,476	235,881
Non-current assets:				
Land, non-depreciable improvements, and construction in progress	55,857	34,471	90,328	-
Other capital assets, net of depreciation	173,364	2,897,439	3,070,803	17,488
Total Capital Assets	229,221	2,931,910	3,161,131	17,488
Total Assets	1,070,898	3,993,709	5,064,607	253,369
DEFERRED OUFLOWS OF RESOURCES				
Pension deferrals	68,756	28,440	97,196	19,072
LIABILITIES				
Current Liabilities:				
Accounts payable - trade	1,917	39,121	41,038	51,479
Payroll liabilities	1,075	1,939	3,014	1,303
Accrued expenses	-	-	-	48,910
Compensated absences - current	151	4,047	4,198	-
Customer deposits	-	15,326	15,326	-
Long-term Liabilities:				
Net pension liability	42,024	30,807	72,831	26,096
Total pension liability	38,112	-	38,112	-
Due within one year	-	51,741	51,741	-
Due in more than one year	-	712,783	712,783	-
Total Liabilities	83,279	855,764	939,043	127,788
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	10,500	-	10,500	-
Pension deferrals	21,186	694	21,880	2,513
Total deferred inflows of resources	31,686	694	32,380	2,513
NET POSITION				
Net investment in capital assets	229,221	2,167,386	2,396,607	17,488
Restricted for:				
Stabilization by State Statute	47,312	-	47,312	-
Transportation	34,727	-	34,727	-
Public safety	3,434	-	3,434	-
Recreation	12,918	-	12,918	-
Working capital	-	-	-	28,075
Unrestricted	697,077	998,305	1,695,382	96,577
Total Net Position	\$ 1,024,689	\$ 3,165,691	\$ 4,190,380	\$ 142,140

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

**Town of Bunn, 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	Business-type Activities	Total	Town of Bunn ABC Board
Primary Government:								
Governmental Activities:								
General government	\$ 89,585	\$ 10,600	\$ -	\$ -	\$ (78,985)	\$ -	\$ (78,985)	\$ -
Public safety	231,901	68	40,000	-	(191,833)	-	(191,833)	-
Transportation	8,800	-	30,667	-	21,867	-	21,867	-
Sanitation	46,756	47,658	-	-	902	-	902	-
Total Governmental Activities	377,042	58,326	70,667	-	(248,049)	-	(248,049)	-
Business-type Activities:								
Water and sewer	1,039,669	1,004,869	-	-	-	(34,800)	(34,800)	-
Total Business-type Activities	1,039,669	1,004,869	-	-	-	(34,800)	(34,800)	-
Total Primary Government	\$ 1,416,711	\$ 1,063,195	\$ 70,667	\$ -	(248,049)	(34,800)	(282,849)	-
Component Unit:								
ABC Board	\$ 935,689	\$ 941,689	\$ -	\$ -	-	-	-	6,000
Total Component Unit	\$ 935,689	\$ 941,689	\$ -	\$ -	-	-	-	6,000
General Revenues:								
Taxes:								
Property taxes, levied for general purpose					185,381	-	185,381	-
Grants and contributions not restricted to specific programs					149,204	-	149,204	-
Unrestricted investment earnings					1,086	387	1,473	-
Miscellaneous					43,757	18,139	61,896	-
Total General Revenues and Transfers					379,428	18,526	397,954	-
Change in Net Position					131,379	(16,274)	115,105	6,000
Net Position, beginning					893,310	3,181,965	4,075,275	136,140
Net Position, ending					\$ 1,024,689	\$ 3,165,691	\$ 4,190,380	\$ 142,140

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

**Town of Bunn, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General Fund</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 732,108	\$ -	\$ 732,108
Restricted cash	51,379	-	51,379
Receivables, net:			
Taxes	9,634	-	9,634
Accounts	5,954	-	5,954
Due from other funds	23,476	-	23,476
Due from other governments	17,579	-	17,579
Total Assets	<u>840,130</u>	<u>-</u>	<u>840,130</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable - trade	1,917	-	1,917
Payroll liabilities	1,075	-	1,075
Total Liabilities	<u>2,992</u>	<u>-</u>	<u>2,992</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	9,634	-	9,634
Unearned revenue	10,500	-	10,500
Total deferred inflows of resources	<u>20,134</u>	<u>-</u>	<u>20,134</u>
<b>FUND BALANCE</b>			
Restricted:			
Stabilization by State Statute	47,312	-	47,312
Streets	34,727	-	34,727
Public safety	3,434	-	3,434
Recreation	12,918	-	12,918
Unassigned	718,613	-	718,613
Total Fund Balances	<u>817,004</u>	<u>-</u>	<u>817,004</u>
Total Liabilities and Fund Balances	<u>\$ 840,130</u>	<u>\$ -</u>	<u>840,130</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total Fund Balance, Governmental Funds			817,004
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost		425,530	
Accumulated depreciation		(196,309)	229,221
Net pension liability			(42,024)
Deferred outflows of resources related to pensions are not reported in the funds			68,756
Total pension liability			(38,112)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.			
Pension related deferrals			1,547
Liabilities for earned revenues considered deferred revenues in fund statements			(21,186)
Compensated absences included as net position below			9,634
Net Position of Governmental Activities			<u>(151)</u>
			<u>\$ 1,024,689</u>

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

**Town of Bunn, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 183,010	\$ 183,010
Other taxes and licenses	1,600	1,600
Unrestricted intergovernmental	144,162	144,162
Restricted intergovernmental	70,667	70,667
Permits and fees	5,109	5,109
Sales and services	74,192	74,192
Investment earnings	1,086	1,086
Miscellaneous	19,289	19,289
Total Revenues	<u>499,115</u>	<u>499,115</u>
<b>EXPENDITURES</b>		
Current:		
General government	81,010	81,010
Public safety	246,162	246,162
Transportation	8,800	8,800
Sanitation	46,756	46,756
Cultural and recreation	53,193	53,193
Total Expenditures	<u>435,921</u>	<u>435,921</u>
Excess of Revenues Over Expenditures	<u>63,194</u>	<u>63,194</u>
<b>OTHER FINANCING SOURCES</b>		
Insurance recovery	<u>6,935</u>	<u>6,935</u>
Net Change in Fund Balance	70,129	70,129
Fund Balances, beginning	746,875	746,875
Fund Balances, ending	<u>\$ 817,004</u>	<u>\$ 817,004</u>

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

**Town of Bunn, North Carolina**  
**Reconciliation of the 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		\$ 70,129
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 for governmental activities	87,919	
Depreciation expense for governmental activities	<u>(15,314)</u>	72,605
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities		(5,465)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in accrued interest receivables		(698)
Change in unavailable revenue for tax revenues		3,069
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		322
Pension expense		(8,583)
Total changes in net position of governmental activities		<u><u>\$ 131,379</u></u>

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

**Town of Bunn, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 184,230	\$ 184,230	\$ 183,010	\$ (1,220)
Other taxes and licenses	1,250	1,550	1,600	50
Unrestricted intergovernmental	108,175	108,175	144,162	35,987
Restricted intergovernmental	75,875	121,875	70,667	(51,208)
Permits and fees	5,075	5,175	5,109	(66)
Sales and services	62,056	65,056	74,192	9,136
Investment earnings	250	450	1,086	636
Miscellaneous	6,000	6,000	19,289	13,289
Total Revenues	442,911	492,511	499,115	6,604
<b>EXPENDITURES</b>				
Current:				
General government	89,875	91,700	81,010	10,690
Public safety	275,325	317,861	246,162	71,699
Transportation	15,875	15,875	8,800	7,075
Sanitation	44,000	44,000	46,756	(2,756)
Cultural and recreation	1,500	52,000	53,193	(1,193)
Total Expenditures	426,575	521,436	435,921	85,515
Revenues Over (Under) Expenditures	16,336	(28,925)	63,194	92,119
<b>OTHER FINANCING SOURCES</b>				
Insurance recovery	-	6,925	6,935	10
Contingency	(16,336)	-	-	-
Appropriated fund balance	-	22,000	-	(22,000)
Total Other Financing Sources	(16,336)	28,925	6,935	(21,990)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	70,129	\$ 70,129
Fund balances, beginning			746,875	
Fund balances, ending			\$ 817,004	

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

**Town of Bunn, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b><u>Water and Sewer Fund</u></b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 977,084
Accounts receivable (net) - billed - trade	92,865
Restricted cash and cash equivalents	15,326
Total Current Assets	<u>1,085,275</u>
Noncurrent Assets:	
Capital Assets:	
Land and other nondepreciable assets	34,471
Other capital assets, net of depreciation	2,897,439
Capital Assets (Net)	<u>2,931,910</u>
Total Noncurrent Assets	<u>2,931,910</u>
Total Assets	<u><u>4,017,185</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	28,440
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable - trade	39,121
Payroll liabilities	1,939
Due to other funds	23,476
Customer deposits	15,326
Compensated absences - current	4,047
Construction notes - current	51,741
Total Current Liabilities	<u>135,650</u>
Noncurrent Liabilities:	
Net pension liability	30,807
Other Noncurrent Liabilities:	
Construction notes - noncurrent (net)	712,783
Total Noncurrent Liabilities	<u>743,590</u>
Total Liabilities	<u>879,240</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	694
<b>NET POSITION</b>	
Net investment in capital assets	2,167,386
Unrestricted	998,305
Total Net Position	<u><u>\$ 3,165,691</u></u>

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

**Town of Bunn, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,002,469
Water and sewer taps	2,400
Other operating revenues	18,139
Total Operating Revenues	<u>1,023,008</u>
<b>OPERATING EXPENSES</b>	
Water treatment and distribution	412,063
Water collection and treatment	471,116
Depreciation	152,223
Total Operating Expenses	<u>1,035,402</u>
Operating Income (Loss)	<u>(12,394)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	387
Interest and other charges	<u>(4,267)</u>
Total Nonoperating Revenue (Expenses)	<u>(3,880)</u>
Change in Net Position	(16,274)
Net Position, beginning	<u>3,181,965</u>
Net Position, ending	<u><u>\$ 3,165,691</u></u>

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



**Town of Bunn, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<u><b>Water and Sewer Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 990,632
Cash paid for goods and services	(665,122)
Cash paid to or on behalf of employees for services	(194,367)
Other operating revenues	18,239
Net Cash Provided (Used) by Operating Activities	<u>149,382</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Collections (payments) due/to other funds	11,731
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,731</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bond maturities and equipment contracts	(51,742)
Interest paid on bond maturities and equipment contracts	(4,267)
Capital asset purchased	(50,250)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(106,259)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	387
Net Increase (Decrease) in Cash and Cash Equivalents	55,241
Balances, beginning	<u>937,169</u>
Balances, ending	<u><u>\$ 992,410</u></u>

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

**Town of Bunn, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income (loss)	\$ (12,394)
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	152,223
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Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:

(Increase) decrease in accounts receivable	(11,815)
(Increase) decrease in deferred outflows of resources - pensions	(14,828)
Increase (decrease) in net pension liability	16,263
Increase (decrease) in deferred inflows of resources - pensions	(1,254)
Increase (decrease) in accounts payable and accrued liabilities	20,761
Increase (decrease) in customer deposits	(1,269)
Increase (decrease) in accrued vacation pay	1,695

Total Adjustments	\$ 161,776
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Net Cash Provided by Operating Activities	\$ 149,382
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The notes to the financial statements are an integral part of this statement.

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Bunn and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Bunn is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Bunn ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30, year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Bunn, ABC Board, Post Office Box 235, Bunn, North Carolina 27508.

**B. Basis of Presentation - Fund Accounting**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting 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 Bunn because the tax is levied by Franklin County and then remitted and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the 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 board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt interim budget that covers that time until the annual ordinance can be adopted.

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board 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).

2. Cash and Cash Equivalents

All cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash 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 136-471.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. 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.

5. Allowances for Doubtful Accounts

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

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

6. Inventory and Prepaid Items

The Town does not maintain inventories. The ABC Board inventories are valued at cost (first-in, first-out), which approximates market. The cost of these inventories is expensed when held for resale rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$2,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$2,500; infrastructure, \$25,000; furniture and equipment, \$2,500; and vehicles, \$2,000. 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 donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the fair value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	40
Infrastructure	40
Improvements	10
Furniture and Equipment	10
Vehicles	3

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Furniture and Equipment	5-10

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town does not provide for the accumulation of up to thirty days paid vacation leave, with the benefit being fully vested when earned. For the Town government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

11. Net Position/Fund Balances

a. Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors,



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**For the Year Ended June 30, 2019**

contributors, or laws or regulations of other governments or imposed by law through state statute.

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Transportation - 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.

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

Restricted for Recreation – portion of fund balance that is restricted by revenue source for recreation expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Bunn's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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.

12. Pensions

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

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

**A. 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 general government activities by \$2,756. This over-expenditure occurred because of miscalculating the utility accrual at year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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 cultural and recreation activities by \$1,193. This over-expenditure occurred because of miscalculating the accruals at year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2019, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for water treatment and distribution activities by \$10,207. This over-expenditure occurred because of miscalculating the accruals at year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

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At June 30, 2019, the Town's deposits had a carrying amount of \$1,775,565 and a bank balance of \$1,822,613. Of the bank balance, \$411,508 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$140,572 and the bank balance was \$189,914. All of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2019, the Town has petty cash totaling \$333.

2. Receivables

Due from other governments that is owed to the Town consists of the following:

	Governmental Activities
Local option sales tax	\$ 11,497
Utility franchise and telecommunications tax	6,018
Solid Waste Disposal Tax	64
Total	<u>\$ 17,579</u>

*Allowance for Doubtful Accounts*

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 303
Enterprise Fund:	
Accounts receivable	7,871
Total	<u>\$ 8,174</u>

**Town of Bunn, North Carolina**  
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**For the Year Ended June 30, 2019**

3. Capital Assets

*Primary Government*

- a. 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	\$ 2,664	\$ -	\$ -	\$ 2,664
Construction in progress	-	53,193	-	53,193
Total Capital Assets Not Being Depreciated	2,664	53,193	-	55,857
Capital Assets Being Depreciated:				
Building	23,972	-	-	23,972
Improvements	167,073	-	-	167,073
Furniture and equipment	108,526	-	-	108,526
Vehicles	130,499	34,726	95,122	70,103
Total Capital Assets Being Depreciated	430,070	34,726	95,122	369,674
Less accumulated depreciation for:				
Buildings	13,185	599	-	13,784
Improvements	45,778	5,109	-	50,887
Furniture and equipment	101,028	2,500	-	103,528
Vehicles	116,127	7,106	95,122	28,111
Total accumulated depreciation	276,118	\$ 15,314	\$ 95,122	196,310
Total Capital Assets Being Depreciated, Net	153,952			173,364
Governmental Activity Capital Assets, Net	<u>\$ 156,616</u>			<u>\$ 229,221</u>

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

General government	\$ 5,708
Public safety	9,606
Total depreciation expense	<u>\$ 15,314</u>

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- b. Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2019 was as follows:

	Beginning Balances, restated	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 34,471	\$ -	\$ -	\$ 34,471
Total Capital Assets Not Being Depreciated	34,471	-	-	34,471
Capital Assets being Depreciated:				
Buildings	149,131	-	-	149,131
Improvements	9,920	-	-	9,920
Waste Water Treatment Center	2,179,395	-	-	2,179,395
Plant and distribution systems	3,272,132	-	-	3,272,132
Furniture and equipment	6,824	-	-	6,824
Vehicles and equipment	164,743	50,250	-	214,993
Total Capital Assets Being Depreciated	5,782,145	50,250	-	5,832,395
Less accumulated depreciation for:				
Buildings	51,664	3,101	-	54,765
Improvements	9,424	496	-	9,920
Waste Water Treatment Center	281,730	58,540	-	340,270
Plant and distribution systems	2,285,349	77,327	-	2,362,676
Furniture and equipment	6,824	-	-	6,824
Vehicles and equipment	147,742	12,759	-	160,501
Total Accumulated Depreciation	2,782,733	\$ 152,223	\$ -	2,934,956
Total Capital Assets Being Depreciated, Net	2,999,412			2,897,439
Water and Sewer Fund Capital Assets, Net	<u>\$3,033,883</u>			<u>\$2,931,910</u>

- c. Discretely Presented Component Unit - Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ABC Capital Assets, Net				
Capital Assets Being Depreciated:				
Furniture and equipment	\$ 68,173	\$ 3,974	\$ -	\$ 72,147
Total Capital Assets Being Depreciated	68,173	3,974	-	72,147
Less accumulated depreciation for:				
Furniture and equipment	50,542	4,117	-	54,659
Total accumulated depreciation	50,542	\$ 4,117	\$ -	54,659
Total ABC Capital Assets, Net	<u>\$ 17,631</u>			<u>\$ 17,488</u>

**Town of Bunn, North Carolina**  
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**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Government Employees' Retirement System**

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

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bunn 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 Bunn's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Bunn were \$11,900 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$72,831 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 asset 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00307%, which was a decrease of 0.00137% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2019, the Town recognized pension expense of \$20,943. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,236	\$ 377
Changes of assumptions	19,327	-
Net difference between projected and actual earnings on pension plan investments	9,997	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,722	1,264
Town contributions subsequent to the measurement date	12,175	-
Total	<u>\$ 60,457</u>	<u>\$ 1,641</u>

\$12,175 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 21,043
2020	14,288
2021	3,704
2022	7,606
2023	-
Thereafter	-
	<u>\$ 46,641</u>

*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	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the



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U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from

**Town of Bunn, North Carolina**  
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employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 174,946	\$ 72,831	\$ (12,498)

*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.

b. Law Enforcement Officers Special Separation Allowance

1) Plan Description

The Town of Bunn 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 five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

**Town of Bunn, North Carolina**  
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Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
Total	2

2) Summary of Significant Accounting Policies

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

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

3) Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13 percent

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

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

4) Contributions

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

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

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At June 30, 2019, the Town reported a total pension liability of \$38,112. 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 \$5,465.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 32,813	\$ 19,051
Changes of assumptions	3,926	1,188
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 36,739</u>	<u>\$ 20,239</u>

\$0 paid as benefits came due and administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	4,392
2021	4,392
2022	4,392
2023	4,392
2024	2,671
Thereafter	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*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 3.16 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-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 40,872	\$ 38,112	\$ 35,505

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

	<u><b>2019</b></u>
Beginning balance	\$ 59,067
Service Cost	1,666
Interest on the total pension liability	1,867
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(23,184)
Changes of assumptions or other inputs	(1,304)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 38,112</u></u>

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

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

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

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

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	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	20,943	5,465	26,408
Pension Liability	72,831	38,112	110,943
Proportionate share of the net pension liability	0	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	11,236	32,813	44,049
Changes of assumptions	19,327	3,926	23,253
Net difference between projected and actual earnings on plan investments	9,997	-	9,997
Changes in proportion and differences between contributions and proportionate share of contributions	7,722	-	7,722
Benefit payments and administrative costs paid subsequent to the measurement date	12,175	-	12,175
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	377	19,051	19,428
Changes of assumptions	-	1,188	1,188
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,264	-	1,264

*a) 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.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$4,478 for the reporting year. No amounts were forfeited.

*b) Supplemental Retirement Income Plan for Employees*

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 Town employees.

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Funding Policy - The Town elects to contribute each month an amount equal to two percent of each employee's salary, and all amounts contributed are vested immediately. The employees may also make voluntary contributions to the Plan.

*c) Other Post-employment Benefits*

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because the 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.

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

The Town has deferred outflows of resources. Deferred inflows of resources at year-end are comprised of the following:

<b>Source</b>	<b>Amount</b>
Contributions to pension plan in current fiscal year	\$ 12,175
Differences between expected and actual experience	44,049
Changes of assumptions	23,253
Net difference between projected and actual	9,997
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,722
Total	\$ 97,196

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable (General Fund), less penalties	\$ -	\$ 9,634
Tower rental	10,500	10,500
Changes in assumptions	19,428	
Differences between expected and actual experience	1,188	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,264	
Total	\$ 32,380	\$ 20,134

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the 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 was not deemed to be located in a flood zone and is not required to carry flood insurance.

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 individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.



**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

4. Long-term Obligations

a. General Obligation Indebtedness

The Town has no general obligation bonds serviced by the governmental fund.

Serviced by the Water Sewer Fund

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

Bonds payable, serviced by the Water and Sewer Fund, at June 30, 2019, are comprised of the following individual issues:

	<u>Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
\$238,728 2013 Sewer Rehab loan in annual installments of \$11,936; Interest at 2.455%	\$ 162,274	\$ 11,591	\$ 150,683
Total	<u>\$ 162,274</u>	<u>\$ 11,591</u>	<u>\$ 150,683</u>
	<u>Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
\$803,000 Waste Water Treatment loan in annual installments of \$40,150; Interest at 0%	\$ 602,250	\$ 40,150	\$ 562,100
Total	<u>\$ 602,250</u>	<u>\$ 40,150</u>	<u>\$ 562,100</u>

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

Annual debt service requirements to maturity for long-term bond obligations are as follows:

Year	Business-type Activities	
	Principal Payments	Interest Payments
2020	11,591	3,984
2021	11,591	3,699
2022	11,591	3,415
2023	11,591	3,130
2024	11,591	2,846
2025-2029	57,955	9,960
2030-2033	46,364	2,846
Total	162,274	29,880

Year	Business-type Activities	
	Principal Payments	Interest Payments
2020	40,150	-
2021	40,150	-
2022	40,150	-
2023	40,150	-
2024	40,150	-
2025-2029	200,750	-
2030-2034	200,750	-
Total	602,250	-

At June 30, 2019, the Town of Bunn had no bonds authorized but un-issued and a legal debt margin of \$2,007,350.

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

b. Changes in Long-term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental Activities:					
Compensated absences	\$ 475	\$ -	\$ 324	\$ 151	\$ 151
Net pension liability	11,427	30,597	-	42,024	-
Total pension liability (LEO)	59,067	-	20,955	38,112	-
Governmental Activities Long-term Liabilities	<u>\$ 70,969</u>	<u>\$ 30,597</u>	<u>\$ 21,279</u>	<u>\$ 80,287</u>	<u>\$ 151</u>
Business Activities:					
Water and Sewer Fund:					
Construction notes	\$ 816,266	\$ -	\$ 51,542	\$ 764,724	\$ 51,741
Net pension liability	14,544	16,263	-	30,807	-
Compensated absences	2,352	1,695	-	4,047	4,047
Business-type Long-term Liabilities	<u>\$ 833,162</u>	<u>\$ 17,958</u>	<u>\$ 51,542</u>	<u>\$ 799,578</u>	<u>\$ 55,788</u>

C. Interfund Balances and Activity

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

Due from (to) Other Fund	
General Fund:	
Due from Water Sewer	\$ 23,476
Water Sewer Fund:	
Due to General Fund	(23,476)
Total	<u>\$ -</u>

The interfund balances results from the time lag between the dates that (1) interfund goods and services are provided or reimburseable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**Town of Bunn, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**V. Commitments**

The Town has entered into an agreement for waste water management services that obligate it to pay \$46,756 in 2019.

**VI. Subsequent Events**

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditor's report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

## **Supplementary Statements**

**Town of Bunn, North Carolina**  
**Town of Bunn's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years \***

**Local Government Employees' Retirement System**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Bunn's proportion of the net pension liability (asset) (%)	0.0031%	0.0017%	0.00240%	0.00247%	0.00292%	0.00370%
Bunn's proportion of the net pension liability (asset) (\$)	\$ 72,831	\$ 25,971	\$ 50,937	\$ (11,085)	\$ (17,219)	\$ 44,599
Bunn's covered payroll	\$ 152,392	\$ 152,392	\$ 171,770	\$ 195,340	\$ 219,601	\$ 227,796
Bunn's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.79%	17.04%	29.65%	( 5.67%)	( 7.84%)	19.58%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Bunn, North Carolina**  
**Town of Bunn's Contributions**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 12,175	\$ 11,900	\$ 11,602	\$ 11,813	\$ 13,867	\$ 15,780
Contributions in relation to the contractually required contribution	12,175	11,900	11,602	11,813	13,867	15,780
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bunn's covered payroll	\$ 152,392	\$ 152,392	\$ 152,224	\$ 171,770	\$ 195,340	\$ 219,601
Contributions as a percentage of covered payroll	7.99%	7.81%	7.62%	6.88%	7.10%	7.19%

**Town of Bunn, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<b>2019</b>		<b>2018</b>		<b>2017</b>
Beginning balance	\$ 59,067	\$	6,258	\$	5,071
Service Cost	1,666		3,180		1,203
Interest on the total pension liability	1,867		242		181
Difference between expected and actual experience	(23,184)		44,109		-
Changes of assumptions or other inputs	(1,304)		5,278		(197)
Ending balance of the total pension liability	<u>\$ 38,112</u>	\$	<u>59,067</u>	\$	<u>6,258</u>

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



**Town of Bunn, 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	\$ 38,112	\$ 59,067	\$ 6,258
Covered payroll	76,386	120,996	77,046
Total pension liability as a percentage of covered payroll	49.89%	48.82%	8.12%

Notes to the schedules:

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

**Town of Bunn, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>			
Ad Valorem Taxes:			
Current year	\$ 184,230	\$ 181,789	\$ (2,441)
Penalties and interest	-	1,221	1,221
Total Ad Valorem Taxes	<u>184,230</u>	<u>183,010</u>	<u>(1,220)</u>
Other Taxes and Licenses:			
Zoning fees	1,550	1,600	50
Total Other Taxes and Licenses	<u>1,550</u>	<u>1,600</u>	<u>50</u>
Unrestricted Intergovernmental:			
Local option sales taxes	60,000	72,394	12,394
Utility franchise tax	21,000	28,920	7,920
Beer and wine tax	-	1,499	1,499
Waste disposal tax	175	273	98
ABC profit distribution	27,000	41,076	14,076
Total Unrestricted Intergovernmental	<u>108,175</u>	<u>144,162</u>	<u>35,987</u>
Restricted Intergovernmental:			
Powell Bill allocation	15,875	15,667	(208)
Transportation grant	15,000	15,000	-
Cultural and recreation grant	31,000	-	(31,000)
Public safety grant	60,000	40,000	(20,000)
Total Restricted Intergovernmental	<u>121,875</u>	<u>70,667</u>	<u>(51,208)</u>
Permits and Fees:			
Court fees	150	68	(82)
Cable franchise fees	5,025	5,041	16
Total Permits and Fees	<u>5,175</u>	<u>5,109</u>	<u>(66)</u>
Sales and services:			
Tower rent	15,056	15,034	(22)
Garbage collection	44,000	47,658	3,658
ATM rent	3,000	2,500	(500)
Cemetery lot sales	3,000	9,000	6,000
Total Sales and Services	<u>65,056</u>	<u>74,192</u>	<u>9,136</u>
Investment Earnings	450	1,086	636
Miscellaneous	6,000	19,289	13,289
Total Revenues	<u>492,511</u>	<u>499,115</u>	<u>6,604</u>

**Town of Bunn, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>EXPENDITURES</b>			
General Government:			
Salaries and employee benefits	6,950	6,943	7
Legal and audit	5,000	4,610	390
Postage and telephone	3,525	3,828	(303)
Utilities	12,825	13,759	(934)
Other	63,400	51,870	11,530
Total General Government	<u>91,700</u>	<u>81,010</u>	<u>10,690</u>
Public Safety:			
Police:			
Salaries and employee benefits	217,436	160,459	56,977
Vehicle maintenance	11,925	7,743	4,182
Equipment maintenance	700	700	-
Other operating expenditures	53,050	42,534	10,516
Capital outlay	34,750	34,726	24
Total Public Safety	<u>317,861</u>	<u>246,162</u>	<u>71,699</u>
Transportation:			
Streets and Highways:			
Street repair and maintenance	<u>15,875</u>	<u>8,800</u>	<u>7,075</u>
Total Transportation	<u>15,875</u>	<u>8,800</u>	<u>7,075</u>
Sanitation:			
Garbage collection	<u>44,000</u>	<u>46,756</u>	<u>(2,756)</u>
Cultural and recreation:			
Capital outlay	<u>52,000</u>	<u>53,193</u>	<u>(1,193)</u>
Total Expenditures	<u>521,436</u>	<u>435,921</u>	<u>85,515</u>
Revenues Over (Under) Expenditures	<u>(28,925)</u>	<u>63,194</u>	<u>92,119</u>
<b>OTHER FINANCING SOURCES</b>			
Insurance recovery	6,925	6,935	10
Appropriated fund balance	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
Total Other Financing Sources	<u>28,925</u>	<u>6,935</u>	<u>(21,990)</u>
Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>70,129</u>	<u>\$ 70,129</u>
Fund Balances, beginning		<u>746,875</u>	
Fund Balances, ending		<u>\$ 817,004</u>	

**Town of Bunn, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Water sales	\$ 507,500	\$ 528,771	\$ 21,271
Sewer charges	464,375	473,698	9,323
Total Operating Revenues	971,875	1,002,469	30,594
Water and sewer taps	2,025	2,400	375
Other Operating Revenues	-	18,139	18,139
Total Other Operating Revenues	973,900	1,023,008	49,108
Nonoperating Revenues:			
Interest earnings	200	387	187
Total Revenues	974,100	1,023,395	49,295
<b>EXPENDITURES</b>			
Water Treatment and Distribution:			
Salaries and employee benefits	184,200	195,991	(11,791)
Supplies	7,975	8,567	(592)
Other operating expenditures	140,475	131,229	9,246
Repairs and maintenance	120,275	133,451	(13,176)
Capital outlay	63,500	50,250	13,250
Total Water Treatment and Distribution	516,425	519,488	(3,063)
Water and sewer purchases	401,650	412,063	(10,413)
Debt service:			
Interest and other charges		4,267	
Principal retirement		51,742	
Total Debt Service	56,025	56,009	16
Total Expenditures	974,100	987,560	(13,460)
Revenue Over (Under) Expenditures	\$ -	35,835	\$ 35,835
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other sources over			
expenditures and other uses		35,835	
Reconciling items:			
Principal retirement		51,742	
Increase in accrued vacation pay		(1,695)	
Pension expense		(183)	
Capital outlay		50,250	
Depreciation		(152,223)	
Net Income		\$ (16,274)	

## Other Schedules

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This section contains additional information on property taxes.

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

Less: Allowance for uncollectible accounts:		
General Fund	<u>6,866</u>	<u>5,200</u>
Ad Valorem Taxes Receivable - Net	<u>\$ 7,865</u>	<u>\$ 9,638</u>
Reconcilement with revenues:		
Taxes - Ad valorem - General Fund		\$ 183,010
Reconciling Items:		
Interest collected		(1,221)
Releases and adjustments		347
Discounts allowed		401
Taxes written off		<u>520</u>
Total Reconciling Items		<u>47</u>
Total Collections and Credits		<u>\$ 183,057</u>

**Town of Bunn, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal 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 Rate:					
Real and personal property	\$ 23,136,818	0.66	\$ 152,703	\$ 152,703	\$ -
Registered motor vehickes taxed at prior years rate	2,679,545	0.66	17,685	-	17,685
Discoveries	16,212	0.66	107	107	-
Releases	(93,939)	0.66	(620)	(620)	-
Total Property Valuation	<u>\$ 25,738,636</u>				
Net Levy			\$ 169,875	\$ 152,190	\$ 17,685
Uncollected Taxes at June 30, 2018			<u>4,214</u>	<u>3,886</u>	<u>328</u>
Current Year's Taxes Collected			<u>\$ 165,661</u>	<u>\$ 148,304</u>	<u>\$ 17,357</u>
Current Levy Collection Percentage			<u>97.52%</u>	<u>97.45%</u>	<u>98.15%</u>