

TOWN OF CANDOR, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019



**Board of Commissioners**

Phillip Hearne, Mayor

G. Layton Booker, Mayor Pro-Tem

Timothy J. Smith

Jerry Brewer

David Kellis

**Town Officials**

Tammy Kellis, Town Clerk

Russell Hollers, Town Attorney

**TOWN OF CANDOR, NORTH CAROLINA**

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**June 30, 2019**

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Town of Candor, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Candor, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Town'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 Town'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Candor, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability and Contributions on pages 46 and 47, respectively, 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 48 and 49, respectively, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 50 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Candor, North Carolina. The Individual Fund Statements and Schedules (budgetary schedules), and Other Schedules ("supplementary and other information") on pages 51 through 60, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information 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. In our opinion, based on our audit and the procedures described above, the supplementary and other information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
January 14, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

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

**Financial Highlights**

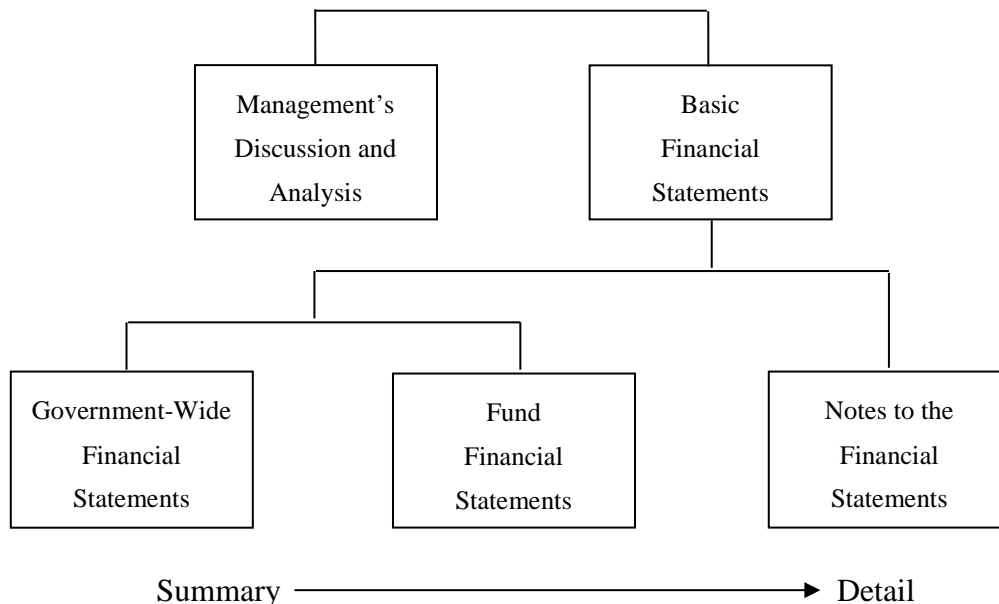
- The assets and deferred outflows of resources of the Town of Candor exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,590,288 (net position).
- The government’s total net position increased by \$180,555.
- As of the close of the current fiscal year, the Town’s governmental fund reported ending fund balance of \$674,156 with a net increase of \$224,480 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$514,118, or 61%, of the total General Fund expenditures for the fiscal year.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**





# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **June 30, 2019**

### **Basic Financial Statements**

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

The next statements (Exhibits 3 through 11) 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 proprietary fund statements; and 3) the fiduciary fund statement.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Candor.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Candor, 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 the Town of Candor can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

*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 governmental 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 Candor 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 at the end of the budgetary statement.

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

*Fiduciary Funds* - Fiduciary funds are used to account for resources associated with relief for firemen and their families. Town of Candor has one fiduciary fund, which is an agency fund.

*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 immediately follow Exhibit 11 of the audit report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

**Government-Wide Financial Analysis**  
**Town of Candor's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 655,070	\$ 519,870	\$ 299,846	\$ 694,775	\$ 954,916	\$ 1,214,645
Deferred outflows of resources	85,439	52,926	24,076	14,026	109,515	66,952
Capital assets	669,570	685,500	2,863,027	2,067,006	3,532,597	2,752,506
Total assets	1,410,079	1,258,296	3,186,949	2,775,807	4,597,028	4,034,103
<b>Liabilities:</b>						
Long-term liabilities	456,565	392,137	406,748	172,310	863,313	564,447
Deferred Inflows of resources	37,104	21,767	7,723	5,741	44,827	27,508
Other liabilities	16,976	23,115	50,858	9,300	67,834	32,415
Total liabilities	510,645	437,019	465,329	187,351	975,974	624,370
<b>Net Position:</b>						
Net investment in						
capital assets	616,819	644,319	2,559,204	1,996,000	3,176,023	2,640,319
Restricted	160,038	162,177	-	-	160,038	162,177
Unrestricted	122,577	14,781	162,416	592,456	284,993	607,237
Total net position	\$ 899,434	\$ 821,277	\$ 2,721,620	\$ 2,588,456	\$ 3,621,054	\$ 3,409,733

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 Candor exceeded liabilities by \$3,590,288 as of June 30, 2019. The Town's net position increased by \$180,555 for the fiscal year ended June 30, 2019. However, the largest portion (88.46%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Candor uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Candor'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's net position, \$160,038, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$254,227 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position, particularly a collection rate of 98.74% for property taxes.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 21,641	\$ 22,054	\$ 682,951	\$ 590,853	\$ 704,592	\$ 612,907
Operating grants and contributions	28,171	28,791	-	-	28,171	28,791
Capital grants and contributions	-	-	111,868	-	111,868	-
General revenues:						
Property taxes	469,403	485,665	-	-	469,403	485,665
Grants and contributions not restricted to specific programs	345,657	339,954	-	-	345,657	339,954
Other	84,408	68,043	495	248	84,903	68,291
Total revenues	949,280	944,507	795,314	591,101	1,744,594	1,535,608
<b>Expenses:</b>						
General government	245,536	227,033	-	-	245,536	227,033
Public safety	372,301	366,343	-	-	372,301	366,343
Transportation	108,721	97,519	-	-	108,721	97,519
Environmental protection	83,284	76,826	-	-	83,284	76,826
Cultural and recreational	61,281	58,265	-	-	61,281	58,265
Water and sewer	-	-	662,150	767,166	662,150	767,166
Total expenses	871,123	825,986	662,150	767,166	1,533,273	1,593,152
Transfers	-	-	-	-	-	-
Change in net position	78,157	118,521	133,164	(176,065)	211,321	(57,544)
Net position, beginning	821,277	702,756	2,588,456	2,764,521	3,409,733	3,467,277
Net position, ending	\$ 899,434	\$ 821,277	\$ 2,721,620	\$ 2,588,456	\$ 3,621,054	\$ 3,409,733

*Governmental activities* - Governmental activities increased the Town's net position by \$153,157, thereby accounting for 85% of the total increase in the net position of the Town of Candor.

*Business-type activities* - Business-type activities increased the Town's net position by \$27,398, accounting for 15% of the total decrease in the government's net position.

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

### **June 30, 2019**

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

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

*Governmental Funds* - The focus of the Town of Candor'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 Candor's financing requirements.

The General Fund is the chief operating fund of the Town of Candor. At the end of the current fiscal year, the Town of Candor's fund balance available in the General Fund was \$514,118, while the total fund balance was \$674,156. The Governing Body has determined that the Town should maintain an available fund balance of 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 61% of General Fund expenditures, while total fund balance represents 80% of the same amount.

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

Revenues exceeded budget because of increased property tax assessments and the inclusion of Peach Festival revenues that were not included in the budget. Expenditures exceeded budget because of the opportunity to purchase land for the fire department that had not been anticipated when the budget was prepared.

*Proprietary Fund* - The Town's proprietary fund provides 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 \$56,650. The total increase in the net position of the Water and Sewer Fund was \$27,398.

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

*Capital Assets* - The Town of Candor's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$3,532,597 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the water pump improvements totaling \$892,584 and purchase of equipment and vehicles totaling \$50,993.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

**Town of Candor, North Carolina's Capital Assets**  
**Figure 4**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 169,250	\$ 169,250	\$ 142,162	\$ 142,162	\$ 311,412	\$ 311,412
Buildings and systems	223,647	257,181	1,761,881	1,856,638	1,985,528	2,113,819
Construction in process	-	-	892,584	-	892,584	-
Infrastructure	122,630	124,233	-	-	122,630	124,233
Machinery and equipment	36,690	31,683	39,606	39,105	76,296	70,788
Vehicles and motorized equipment	117,353	103,153	26,794	29,101	144,147	132,254
Total	\$ 669,570	\$ 685,500	\$ 2,863,027	\$ 2,067,006	\$ 3,532,597	\$ 2,752,506

Additional information regarding the Town's capital assets can be found in the notes to the basic financial statements.

*Long-Term Debt* - As of June 30, 2019 and 2018, the Town of Candor had \$356,574 and \$112,187, respectively, of debt outstanding relating to the purchase of assets for public safety and water/sewer.

Additional information regarding the Town's long-term debt can be found in the notes to the basic financial statements.

*Town of Candor's Outstanding Debt* - The Town's total debt increased by \$244,387 during the past fiscal year due to additional borrowings and debt payments on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Candor is \$5,360,249.

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

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

- The Town has scheduled events for the Peach Exchange for the coming year that has already generated much interest from attendees across the state.

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

*Governmental Activities.* An increase in funding from the County for fire department expenses will lead to an increase in budgeted revenue by 4%. Moving the majority of the Town's bank accounts to NCCMT will increase interest income to approximately \$7,500.

Budgeted expenditures in the General Fund are expected to increase approximately 5% to \$941,221.

*Business-type Activities.* The water and sewer revenues are budgeted to increase approximately 6%. This will allow the Town to put funds in the Waste/Water Improvement CD in the new budget

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

year, as well as be able to budget additional contingency funds in Water/Sewer Operational funds. Water Administration Expenditures are decreasing by 25% due to staff changes.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Office, Town of Candor, North Carolina, P.O. Box 220, Candor, NC 27229. You can also call (910) 974-4221, visit our website [www.townofcandornc.com](http://www.townofcandornc.com) or send an email to [townofcandor@embarqmail.com](mailto:townofcandor@embarqmail.com) for more information.

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2019**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 456,094	\$ 234,839	\$ 690,933
Receivables, taxes, net	16,193	-	16,193
Receivables, accounts	-	65,007	65,007
Note receivable, current portion	5,253	-	5,253
Due from other governments	70,799	-	70,799
Restricted cash and cash equivalents	89,239	-	89,239
Total current assets	<u>637,578</u>	<u>299,846</u>	<u>937,424</u>
Non-current assets:			
Note receivable, non-current portion	17,492	-	17,492
Land, non-depreciable improvements	169,250	1,034,746	1,203,996
Other capital assets, net of depreciation	500,320	1,828,281	2,328,601
Total non-current assets	<u>687,062</u>	<u>2,863,027</u>	<u>3,550,089</u>
Total assets	<u>1,324,640</u>	<u>3,162,873</u>	<u>4,487,513</u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	85,303	24,076	109,379
OPEB deferrals	136	-	136
Total deferred outflows of resources	<u>85,439</u>	<u>24,076</u>	<u>109,515</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	16,976	50,858	67,834
Current portion of long-term liabilities	21,777	39,648	61,425
Payable from restricted assets	-	-	-
Total current liabilities	<u>38,753</u>	<u>90,506</u>	<u>129,259</u>
Long-term liabilities:			
Due in more than one year	434,788	367,100	801,888
Total liabilities	<u>473,541</u>	<u>457,606</u>	<u>931,147</u>
<b>Deferred Inflows of Resources</b>			
Pension deferrals	13,816	807	14,623
OPEB deferrals	23,288	6,916	30,204
Total deferred inflows of resources	<u>37,104</u>	<u>7,723</u>	<u>44,827</u>
<b>Net Position</b>			
Net investment in capital assets	616,819	2,559,204	3,176,023
Restricted for Stabilization by State Statute	70,799	-	70,799
Restricted for Streets	89,239	-	89,239
Unrestricted	122,577	162,416	284,993
Total net position	<u>\$ 899,434</u>	<u>\$ 2,721,620</u>	<u>\$ 3,621,054</u>

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2019**

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<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Primary government:				
Governmental activities:				
General government	\$ 245,536	\$ -	\$ -	\$ -
Public safety	372,301	-	-	-
Transportation	106,587	-	27,592	-
Environmental protection	83,284	21,126	579	-
Cultural and recreational	61,281	515	-	-
Interest on long-term debt	2,134	-	-	-
Total governmental activities	<u>871,123</u>	<u>21,641</u>	<u>28,171</u>	<u>-</u>
Business-type activities:				
Water and sewer	662,150	682,951	-	111,868
Total business-type activities	<u>662,150</u>	<u>682,951</u>	<u>-</u>	<u>111,868</u>
Total primary government	<u>\$ 1,533,273</u>	<u>\$ 704,592</u>	<u>\$ 28,171</u>	<u>\$ 111,868</u>

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Functions/Programs</b>			
Primary government:			
Governmental activities:			
General government	\$ (245,536)	\$ -	\$ (245,536)
Public safety	(372,301)	-	(372,301)
Transportation	(78,995)	-	(78,995)
Environmental protection	(61,579)	-	(61,579)
Cultural and recreational	(60,766)	-	(60,766)
Interest on long-term debt	(2,134)	-	(2,134)
Total governmental activities	<u>(821,311)</u>	<u>-</u>	<u>(821,311)</u>
Business-type activities:			
Water and sewer	-	132,669	132,669
Total business-type activities	<u>-</u>	<u>132,669</u>	<u>132,669</u>
Total primary government	<u>(821,311)</u>	<u>132,669</u>	<u>(688,642)</u>
<b>General Revenues:</b>			
Taxes:			
Property taxes, levied for general purpose	469,403	-	469,403
Grants and contributions not restricted to specific programs	345,657	-	345,657
Unrestricted investment earnings	1,573	495	2,068
Miscellaneous	82,835	-	82,835
Total general revenues excluding transfers	<u>899,468</u>	<u>495</u>	<u>899,963</u>
Transfers	-	-	-
Total general revenues and transfers	<u>899,468</u>	<u>495</u>	<u>899,963</u>
Change in net position	<u>78,157</u>	<u>133,164</u>	<u>211,321</u>
Net position, beginning	<u>821,277</u>	<u>2,588,456</u>	<u>3,409,733</u>
Net position - ending	<u>\$ 899,434</u>	<u>\$ 2,721,620</u>	<u>\$ 3,621,054</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

Exhibit 3

	<u>Major Fund</u> <u>General Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 456,094	\$ 456,094
Restricted cash	89,239	89,239
Receivables:		
Taxes, net	16,193	16,193
Due from other governments	70,799	70,799
Total assets	<u>\$ 632,325</u>	<u>\$ 632,325</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 16,976</u>	<u>\$ 16,976</u>
Total liabilities	<u>16,976</u>	<u>16,976</u>
<b>Deferred Inflows of Resources</b>		
Property taxes receivable	<u>16,193</u>	<u>16,193</u>
Total deferred inflows of resources	<u>16,193</u>	<u>16,193</u>
<b>Fund Balances</b>		
Restricted for:		
Stabilization by state statute	70,799	70,799
Streets	89,239	89,239
Assigned:		
Unassigned	<u>439,118</u>	<u>439,118</u>
Total fund balances	<u>599,156</u>	<u>599,156</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 632,325</u>	

## Balance Sheet

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019**


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

Total Fund Balance, Governmental Funds		\$ 599,156
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	1,963,506	
Accumulated depreciation	<u>(1,293,936)</u>	669,570
Note receivable		22,745
Deferred outflows of resources related to pensions are not reported in the funds		85,303
Deferred outflows of resources related to OPEB are not reported in the funds		136
Earned revenues considered deferred inflows of resources in funds statements		16,193
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds -		
Gross long-term debt	(75,556)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(13,016)	
Net pension obligation	(99,189)	
Total pension liability	(56,113)	
OPEB liability	<u>(212,691)</u>	(456,565)
Deferred inflows of resources related to pensions are not reported in the funds		(13,816)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(23,288)</u>
Net position of governmental activities		<u>\$ 899,434</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2019**

Exhibit 5

	<u>Major Funds</u> <u>General Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues</b>		
Ad valorem taxes	\$ 472,484	\$ 472,484
Unrestricted intergovernmental	345,657	345,657
Restricted intergovernmental	28,171	28,171
Sales and services	21,641	21,641
Investment earnings	1,573	1,573
Miscellaneous	87,895	87,895
Total revenues	<u>957,421</u>	<u>957,421</u>
<b>Expenditures</b>		
Current:		
General government	229,413	229,413
Public safety	353,931	353,931
Transportation - streets	95,221	95,221
Environmental protection	81,188	81,188
Cultural and recreational	57,624	57,624
Debt service:		
Principal retirement	19,700	19,700
Interest and other charges	2,134	2,134
Total expenditures	<u>839,211</u>	<u>839,211</u>
Revenues over expenditures	<u>118,210</u>	<u>118,210</u>
<b>Other Financing Sources</b>		
Transfers from other funds:		
Enterprise fund	-	-
Installment purchase obligations issued	31,270	31,270
Total other financing sources	<u>31,270</u>	<u>31,270</u>
Net change in fund balances	<u>149,480</u>	<u>149,480</u>
Fund balances, beginning	<u>449,676</u>	<u>449,676</u>
Fund balances, ending	<u>\$ 599,156</u>	<u>\$ 599,156</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2019**

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

Net change in fund balances - total governmental funds	\$ 149,480
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	43,520	
Depreciation expense for governmental assets	<u>(59,450)</u>	(15,930)

Payments on note receivable recognized as revenue	(5,060)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	21,215
--	--------

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

Change in unavailable revenue for tax revenues	(3,081)
--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New debt issued	(31,270)
Principal payments on long-term debt	19,700

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.

Pension expense	(40,440)	
OPEB plan expense	(15,011)	
Compensated absences	<u>(1,446)</u>	<u>(56,897)</u>

Total changes in net position of governmental activities	<u>\$ 78,157</u>
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**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Annual Budget and Actual - General Fund**  
**Year Ended June 30, 2019**

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 471,600	\$ 471,600	\$ 472,484	\$ 884
Unrestricted intergovernmental	283,020	283,020	345,657	62,637
Restricted intergovernmental	29,500	29,500	28,171	(1,329)
Sales and services	21,460	21,460	21,641	181
Investment earnings	500	500	1,573	1,073
Miscellaneous	84,065	84,065	87,895	3,830
Total revenues	<u>890,145</u>	<u>890,145</u>	<u>957,421</u>	<u>67,276</u>
<b>Expenditures</b>				
Current:				
General government	252,045	252,045	229,413	22,632
Public safety	340,050	340,050	353,931	(13,881)
Transportation - streets	118,600	118,600	95,221	23,379
Environmental protection	99,475	99,475	81,188	18,287
Cultural and recreational	65,600	65,600	57,624	7,976
Debt service:				
Principal retirement			19,700	(19,700)
Interest and other charges	21,200	21,200	2,134	19,066
Total expenditures	<u>896,970</u>	<u>896,970</u>	<u>839,211</u>	<u>57,759</u>
Revenues over (under) expenditures	<u>(6,825)</u>	<u>(6,825)</u>	<u>118,210</u>	<u>125,035</u>
<b>Other Financing Sources</b>				
Installment purchase obligations issued	-	-	31,270	31,270
Transfers from other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>31,270</u>	<u>31,270</u>
<b>Fund balance appropriated</b>	<u>6,825</u>	<u>6,825</u>	<u>-</u>	<u>(6,825)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	149,480	<u>\$ 149,480</u>
Fund balances, beginning			<u>449,676</u>	
Fund balances, ending			<u>\$ 599,156</u>	

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



**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2019**

Exhibit 8

	Major Enterprise Fund	
	Water and Sewer Fund	Total
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 234,839	\$ 234,839
Account receivables, net	65,007	65,007
Restricted cash and cash equivalents	-	-
Total current assets	<u>299,846</u>	<u>299,846</u>
Capital assets:		
Land and other non-depreciable assets	1,034,746	1,034,746
Other capital assets, net of depreciation	<u>1,828,281</u>	<u>1,828,281</u>
Total noncurrent assets	<u>2,863,027</u>	<u>2,863,027</u>
Total assets	<u>3,162,873</u>	<u>3,162,873</u>
<b>Deferred Outflows of Resources</b>		
Pension deferrals	<u>24,076</u>	<u>24,076</u>
Total deferred outflows of resources	<u>24,076</u>	<u>24,076</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	50,858	50,858
Compensated absences - current	1,000	1,000
Installment purchases - current	38,648	38,648
Liabilities payable from restricted assets:		
Customer deposits	-	-
Total current liabilities	<u>90,506</u>	<u>90,506</u>
Noncurrent liabilities:		
Advance from other funds	-	-
Net pension liability	29,628	29,628
Total OPEB liability	63,531	63,531
Compensated absences - noncurrent	8,766	8,766
Installment purchases - noncurrent	<u>265,175</u>	<u>265,175</u>
Total noncurrent liabilities	<u>367,100</u>	<u>367,100</u>
Total liabilities	<u>457,606</u>	<u>457,606</u>
<b>Deferred Inflows of Resources</b>		
Pension deferrals	807	807
OPEB deferrals	<u>6,916</u>	<u>6,916</u>
<b>Net Position</b>		
Net investment in capital assets	2,559,204	2,559,204
Unrestricted	<u>162,416</u>	<u>162,416</u>
Total net position	<u>\$ 2,721,620</u>	<u>\$ 2,721,620</u>

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year Ended June 30, 2019**

Exhibit 9

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Operating revenues:		
Charges for services	\$ 679,183	\$ 679,183
Other operating revenues	3,768	3,768
Total operating revenues	<u>682,951</u>	<u>682,951</u>
Operating expenses:		
Water and treatment and distribution	338,720	338,720
Wastewater collection and treatment	215,676	215,676
Depreciation	104,036	104,036
Total operating expenses	<u>658,432</u>	<u>658,432</u>
Operating loss	<u>24,519</u>	<u>24,519</u>
Non-operating revenues (expenses):		
Investment earnings	495	495
Interest expense	(3,718)	(3,718)
Total non-operating revenues (expenses)	<u>(3,223)</u>	<u>(3,223)</u>
Net loss before contributions and transfers	21,296	21,296
Capital contributions	111,868	111,868
Transfers to other funds	-	-
Change in net position	133,164	133,164
Total net position, beginning	<u>2,588,456</u>	<u>2,588,456</u>
Total net position, ending	<u>\$ 2,721,620</u>	<u>\$ 2,721,620</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2019**

Exhibit 10

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Cash flows from operating activities:		
Cash received from customers	\$ 657,062	\$ 657,062
Cash paid for goods and services	(337,709)	(337,709)
Cash paid to or on behalf of employees for services	(179,187)	(179,187)
Other operating revenues	3,768	3,768
Net cash provided by operating activities	<u>143,934</u>	<u>143,934</u>
Cash flows from noncapital financing activities		
Decrease in due from other funds	75,000	75,000
Transfers to other funds	-	-
Net cash provided by noncapital financing activities	<u>75,000</u>	<u>75,000</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(645,145)	(645,145)
Principal paid on installment purchases	(22,095)	(22,095)
Interest paid on installment purchases	(3,718)	(3,718)
Capital contributions - federal grant	111,868	111,868
Net cash used in capital and related financing activities	<u>(559,090)</u>	<u>(559,090)</u>
Cash flows from investing activities:		
Interest and dividends	495	495
Net cash provided by investing activities	<u>495</u>	<u>495</u>
Net decrease in cash and cash equivalents	(339,661)	(339,661)
Balances, beginning, as previously reported	574,500	574,500
Balances, ending	<u>\$ 234,839</u>	<u>\$ 234,839</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 24,519	\$ 24,519
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	104,036	104,036
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(19,732)	(19,732)
Deferred outflows of resources - pensions	(10,086)	(10,086)
Deferred outflows of resources - OPEB	36	36
Increase (decrease) in:		
Accounts payable and accrued liabilities	43,947	43,947
Compensated absences	(15,383)	(15,383)
Net pension liability	13,922	13,922
Deferred inflows of resources - pensions	(643)	(643)
OPEB liability	3,082	3,082
Deferred inflows of resources - OPEB	2,625	2,625
Total adjustments	<u>119,415</u>	<u>119,415</u>
Net cash provided by operating activities	<u>\$ 143,934</u>	<u>\$ 143,934</u>

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**Year Ended June 30, 2019**

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Exhibit 11

	<u>Fireman's Relief Fund</u>
Assets:	
Cash and cash equivalents	<u>\$    60,250</u>
Liabilities:	
Intergovernmental payable	<u>\$    60,250</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Candor, North Carolina (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**Reporting Entity**

The Town is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements include all funds and account groups that are controlled by the Town.

**Basis of Presentation**

*Government-Wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type* activities of the 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, including fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major enterprise fund:

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

The Town reports the following fund types:

*Agency Fund* – Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains a Fireman's Relief Fund for the assistance of firemen and their families.

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

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

## **TOWN OF CANDOR, NORTH CAROLINA**

### **Notes to Financial Statements**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are 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 the 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, 2014 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

#### **Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. The budget ordinance must be adopted by July 1<sup>st</sup> of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. All budgets are prepared using the modified accrual basis of accounting. The appropriations in the various funds are formally budgeted on a departmental basis. Expenditures may not legally exceed appropriations at the functional level. The finance officer has authority to allocate the department totals to objects of expenditures within the department as necessary. The budget is amended by the Board of Commissioners on a periodic basis as required by changing conditions. The budget amounts reflected in the accompanying financial statements represent the budget as amended to statement date.

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

##### **Deposits and Investments**

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

**Cash and Cash Equivalents**

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

**Restricted Cash**

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 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 136-41.4.

**Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowance 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.

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000, and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure



**TOWN OF CANDOR, NORTH CAROLINA**

**Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	10-40 years
Furniture and office equipment	5-10 years
Plant and distribution systems	10-50 years
Vehicles	5-15 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and pension deferrals.

**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.

**Compensated Absences**

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Net Position/Fund Balances**

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

*Fund Balances* - In the governmental fund financial statements, fund balance is composed of three 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 Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Assigned Fund Balance - portion of fund balance that Town of Candor, North Carolina intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The governing body approves the appropriation.

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

The Finance Officer has been given the authority to spend resources in the order deemed in the best interest of the Town. For purposes of fund balance classification, expenditures are spent from restricted fund balance first, followed by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Defined Benefit Cost-Sharing Plans**

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 Candor, North Carolina's employer contributions are recognized when due and the Town of Candor, North Carolina 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded authorized appropriations made for public safety and debt service by \$13,881 and \$634, respectively. The Town's Water and Sewer Fund exceeded the authorized appropriations made for water expenditures by \$3,058. These over-expenditures occurred primarily because of unbudgeted capital outlays, repairs and maintenance. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

**A. Assets**

**Deposits**

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce

**TOWN OF CANDOR, NORTH CAROLINA**

**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$780,172 and a bank balance of \$886,986. Of the bank balance, \$327,232 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the Town had \$100 in a petty cash fund.

**Receivables**

Governmental activities receivables for the General Fund consist of \$16,193 for outstanding taxes and \$70,799 due from other governments.

Business-Type activities receivables for the Water and Sewer Fund consist of \$65,007 for customer accounts.

The amounts presented in the Balance Sheet and the Statement of Net Position are net of allowances for doubtful accounts, if any.

Due from other governments consisted of the following:

	Governmental Activities
Vehicle tax	\$ 6,427
Utilities franchise tax	28,456
Sales tax reimbursement	35,916
	<u>\$ 70,799</u>

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of allowances for doubtful accounts in the amount of \$19,076 for taxes receivable.

**Note Receivable**

The Town has a note receivable that calls for monthly payments including interest of \$501 through July 2023. Principal repayments on the note are: 2020 \$5,253; 2021 \$5,453; 2022 \$5,661; 2023 \$5,877; 2024 \$501

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 169,250	\$ -	\$ -	\$ 169,250
Total capital assets not being depreciated	<u>169,250</u>	<u>-</u>	<u>-</u>	<u>169,250</u>
Capital assets being depreciated:				
Buildings	953,525	-	-	953,525
Infrastructure	157,523	-	-	157,523
Equipment	182,076	12,250	-	194,326
Vehicles and motorized equipment	457,612	31,270	-	488,882
Total capital assets being depreciated	<u>1,750,736</u>	<u>43,520</u>	<u>-</u>	<u>1,794,256</u>
Less accumulated depreciation for:				
Buildings	696,344	33,534	-	729,878
Infrastructure	33,290	1,603	-	34,893
Equipment	150,393	7,243	-	157,636
Vehicles and motorized equipment	354,459	17,070	-	371,529
Total accumulated depreciation	<u>1,234,486</u>	<u>\$ 59,450</u>	<u>\$ -</u>	<u>1,293,936</u>
Total capital assets being depreciated, net	<u>516,250</u>			<u>500,320</u>
Governmental activity capital assets, net	<u>\$ 685,500</u>			<u>\$ 669,570</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

General Government	\$ 7,027
Public Safety	27,771
Transportation	20,995
Cultural and Recreational	<u>3,657</u>
Total depreciation expense	<u><u>\$ 59,450</u></u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 142,162	\$ -	\$ -	\$ 142,162
Construction in process	-	<u>892,584</u>	-	<u>892,584</u>
Total capital assets not being depreciated	<u>142,162</u>	<u>892,584</u>	<u>-</u>	<u>1,034,746</u>
Capital assets being depreciated:				
Buildings	65,470	-	-	65,470
Plant and Distribution Systems	4,268,501	-	-	4,268,501
Furniture and maintenance equipment	195,252	7,473	-	202,725
Vehicles	<u>71,309</u>	<u>-</u>	<u>-</u>	<u>71,309</u>
Total capital assets being depreciated	<u>4,600,532</u>	<u>7,473</u>	<u>-</u>	<u>4,608,005</u>
Less accumulated depreciation for:				
Buildings	19,683	765	-	20,448
Plant and Distribution Systems	2,456,142	95,500	-	2,551,642
Furniture and maintenance equipment	157,014	6,105	-	163,119
Vehicles	<u>42,849</u>	<u>1,666</u>	<u>-</u>	<u>44,515</u>
Total accumulated depreciation	<u>2,675,688</u>	<u>\$ 104,036</u>	<u>\$ -</u>	<u>2,779,724</u>
Total capital assets being depreciated, net	<u>1,924,844</u>			<u>1,828,281</u>
Water and Sewer activity capital assets, net	<u>2,067,006</u>			<u>2,863,027</u>
Business-type activities capital assets, net	<u>\$ 2,067,006</u>			<u>\$ 2,863,027</u>

**B. Liabilities**

**Pension Plan and Postemployment Obligations**

a. Local Governmental Employees' Retirement System

*Plan Description:* The Town of Candor 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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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 the 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. 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. The Town of Candor, North Carolina 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 Candor, North Carolina's contractually required contribution rate for the year ended June 30, 2019, was 7.28% of compensation for law enforcement officers and 7.55% 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 Candor, North Carolina were \$27,552 for the year ended June 30, 2019.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

*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 \$128,818 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension 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. The Town's proportion was .005%, which was an increase of .001% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$41,436. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ 19,874	\$ 667
Changes of assumptions	34,183	-
Net differences between projected and actual earnings on pension plan investments	17,683	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,386	2,843
Town contributions subsequent to the measurement date	27,552	-
Total	<u>\$ 104,678</u>	<u>\$ 3,510</u>

\$27,552 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.



**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year Ending June 30</u>	
2020	\$ 34,554
2021	22,358
2022	5,371
2023	11,333
Total	<u>\$ 73,616</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%
Salary increases	3.5% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*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 liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 309,432	\$ 128,818	\$ (22,106)

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

*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

*Plan Description:* The Town of Candor 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. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	4
	<hr/>
	4
	<hr/> <hr/>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions:

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

Inflation	2.5%
Salary increases	3.5% to 7.35%, including inflation and productivity factor
Discount rate	3.64%

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Mortality rates are based on the following:

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using RP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions

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

At June 30, 2019, the Town reported a total pension liability of \$56,113. 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 \$4,323.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,182
Changes of assumptions	4,701	3,931
Town benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
	<u>\$ 4,701</u>	<u>\$ 11,113</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

<u>Year Ended June 30:</u>	
2020	\$ (829)
2021	(829)
2022	(829)
2023	(880)
2024	(1,524)
Thereafter	<u>(1,521)</u>
	<u><u>\$ (6,412)</u></u>

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

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 63,427	\$ 56,113	\$ 49,533

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

Beginning balance	\$ 61,626
Service cost	3,205
Interest on the total pension liability	1,947
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,250)
Changes of assumptions or other inputs	(3,415)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 56,113</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.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2018.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 41,436	\$ 4,323	\$ 45,759
Pension liability	128,818	56,113	184,931
Proportionate share of the net pension liability	0.005%	n/a	
<b>Deferred Outflow of Resources</b>			
Differences between expected and actual experiences	19,874	-	19,874
Change in assumptions	34,183	4,701	38,884
Net difference between projected and actual earnings on plan investments	17,683	-	17,683
Changes in proportion and differences between contributions and proportionate share of contributions	5,386	-	5,386
Benefit payments and administrative costs paid subsequent to the measurement date	27,552	-	27,552
<b>Deferred Inflow of Resources</b>			
Differences between expected and actual experiences	667	7,182	7,849
Change in assumptions	-	3,931	3,931
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,843	-	2,843

c. 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 and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$7,227 from the Town.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Other Postretirement Benefits (OPEB)**

Healthcare Benefits

*Plan Description:* Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”).

*Benefits Provided:* This plan provides postemployment healthcare benefits to retirees of the Town, provided they worked 15 years for the Town and have 30 years of total service to governments within the State of North Carolina. The Town pays the full cost of coverage for these benefits from the time of retirement through age 65. The Town pays the full cost of coverage for employees’ benefits through private insurers and employees have the option of purchasing dependent coverage at the Town’s group rates. Retirees receive the same benefits as active employees. The Town may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019:

Retirees receiving benefits	1
Retired plan member entitled to but not yet receiving benefits	-
Active plan members	10
	<hr/>
	<u>11</u>

Total OPEB Liability

The Town’s total OPEB liability of \$276,222 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Salary increases:	
General employees	3.5 to 7.75%, including inflation
Law enforcement officers	3.5 to 7.35%, including inflation
Discount rate	3.89%
Healthcare cost trend rates:	
Pre-medicare	7.5% for 2017 decreasing to ultimate rate of 5.0% by 2023

The discount rate is based on the yield of the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$ 262,821
Changes for the year	
Service cost	23,172
Interest	9,294
Changes in benefit terms	-
Differences between expected and actual experience	(2,618)
Changes in assumptions or other inputs	(12,922)
Benefit payments	(3,525)
Net changes	<u>13,401</u>
Balance at June 30, 2019	<u>\$ 276,222</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	\$ 317,394	\$ 276,222	\$ 240,738

*Sensitivity to the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 228,169	\$ 276,222	\$ 336,457



**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$28,493. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 136	\$ 2,332
Changes of assumptions	-	27,872
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 136</u>	<u>\$ 30,204</u>

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

<u>Year ended June 30:</u>	
2020	\$ (3,973)
2021	(3,973)
2022	(3,973)
2023	(3,973)
2024	(3,973)
Thereafter	<u>(10,203)</u>
	<u>\$ (30,068)</u>

Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple-employer, State-administered, cost-saving 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. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Deferred Outflows and Inflows of Resources**

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

Source	Amount
Contributions to pension plan in the current fiscal year	\$ 27,552
Differences between expected and actual experience	20,010
Changes of assumptions	38,884
Net difference between projected and actual	17,683
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,386
Total	<u>\$ 109,515</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 16,193
Differences between expected and actual experience	10,181	-
Changes in assumptions	31,803	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,843	-
Total	<u>\$ 44,827</u>	<u>\$ 16,193</u>

**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 the statutory limits and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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 North Carolina League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available to the Town upon request.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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 is not required to carry flood insurance because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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 under a \$10,000 blanket bond.

**Long-Term Obligations**

Installment Purchase

The Town has two notes to purchase vehicles for public works, one note to purchase equipment, one note to purchase a sewer cleaning machine, and one note for improvements to a water pump station. The financing requires principal payments with interest rates of 4.00%, 4.00%, 3.66%, 5.60%, and 4.49%, respectively. Annual debt service payments as of June 30, 2019, including interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 18,777	\$ 3,058	\$ 38,649	\$ 10,737
2021	19,861	1,974	29,134	12,284
2022	14,113	826	22,254	10,845
2023	-	-	13,768	9,806
2024	-	-	14,399	9,175
Thereafter	-	-	185,619	50,116
Total	<u>\$ 52,751</u>	<u>\$ 5,858</u>	<u>\$ 303,823</u>	<u>\$ 102,963</u>

Change in Long-Term Liabilities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases	\$ 41,181	\$ 31,270	\$ 19,700	\$ 52,751	\$ 18,777
OPEB liability	202,372	10,319	-	212,691	-
Net pension liability - LEO	61,626	-	5,513	56,113	-
Net pension liability - LGERS	52,583	46,606	-	99,189	-
Compensated absences	34,375	1,446	-	35,821	3,000
Total governmental activities	<u>\$ 392,137</u>	<u>\$ 89,641</u>	<u>\$ 25,213</u>	<u>\$ 456,565</u>	<u>\$ 21,777</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Business-Type Activities:					
Installment purchases	\$ 71,006	\$ 254,912	\$ 22,095	\$ 303,823	\$ 38,648
OPEB liability	60,449	3,082	-	63,531	-
Net pension liability - LGERS	15,706	13,922	-	29,628	-
Compensated absences	25,149	-	9,766	15,383	1,000
Total business-type	<u>\$ 172,310</u>	<u>\$ 271,916</u>	<u>\$ 31,861</u>	<u>\$ 412,365</u>	<u>\$ 39,648</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

**Interfund Balances and Activity**

Interfund loan – In 2002, the General Fund borrowed \$92,442 from the Water and Sewer Fund to fund Town activities. The balance of the loan was repaid during 2019.

NOTE 4 - FUND BALANCE

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

Total fund balance-General Fund	\$ 599,156
Less:	
Stabilization by State Statute	70,799
Streets	89,239
Appropriated fund balance in 2020 budget	-
Remaining fund balance	<u>\$ 439,118</u>

The Town of Candor is making strides with plans for improving the Fund Balance. These plans include but are not limited to the following:

- Manpower has been reduced due to efficiencies in our departments and the oversight of the department supervisors.
- The sale of real property owned by the Town is still in negotiation, which would have an immediate impact on fund balance with proceeds from the sale, but also, the industrial business relocating at the property will greatly enhance our tax base.
- One of the Town’s smaller companies has been sold to a large manufacturer that is relocating operations and additional jobs to Candor.

**TOWN OF CANDOR, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 5 - JOINT VENTURE

The Town participates in a joint venture with Montgomery County and the four other towns in the County in the operating of the Montgomery Municipal Board of Alcoholic Beverage Control (the "Board"). The Board is composed of one board member appointed by each of the five towns in the County. The County does not appoint a board member. Both the Town and the County receive profit distributions from the Board as required by State Statute. The total amount received by the Town for the year ended June 30, 2019 was \$2,631.

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways.

The Town obtains an ongoing financial benefit from the Fund on-behalf-of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town reported no payments. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

**TOWN OF CANDOR, NORTH CAROLINA**  
**Town of Candor's Proportionate Share of Net Pension Liability (Asset)**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

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	2019	2018	2017	2016	2015	2014
Town of Candor's proportionate of the net pension liability (asset) (%)	0.00543%	0.00447%	0.00461%	0.00570%	0.00550%	0.00550%
Town of Candor's proportionate of the net pension liability (asset) (\$)	\$ 128,818	\$ 68,289	\$ 97,840	\$ 25,581	\$ (32,436)	\$ 50,626
Town of Candor's covered-employee payroll	\$ 301,241	\$ 304,451	\$ 278,113	\$ 336,267	\$ 304,079	\$ 333,326
Town of Candor's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	42.76%	22.43%	35.18%	7.61%	-9.65%	16.65%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**TOWN OF CANDOR, NORTH CAROLINA**  
**Town of Candor, North Carolina's Contributions**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,552	\$ 25,531	\$ 22,993	\$ 35,892	\$ 24,923	\$ 21,753
Contributions in relation to the contractually required contribution	<u>27,552</u>	<u>25,531</u>	<u>22,993</u>	<u>35,892</u>	<u>24,923</u>	<u>21,753</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Candor's covered-employee payroll	\$ 341,520	\$ 301,241	\$ 304,451	\$ 278,113	\$ 336,267	\$ 304,079
Contributions as a percentage of covered- employee payroll	8.07%	8.48%	7.55%	12.91%	7.41%	7.15%



**TOWN OF CANDOR, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**  
**June 30, 2019**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 61,626	\$ 50,843	\$ 47,026
Service cost	3,205	3,067	4,087
Interest on the total pension liability	1,947	1,963	1,679
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,250)	(1,490)	-
Changes of assumptions or other inputs	(3,415)	7,243	(1,949)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 56,113</u>	<u>\$ 61,626</u>	<u>\$ 50,843</u>

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Year Ended June 30, 2019**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 56,113	\$ 61,626	\$ 50,843
Covered payroll	105,705	110,754	124,678
Total pension liability as a percentage of covered payroll	53.08%	55.64%	40.78%

Notes to the Schedules:

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

**TOWN OF CANDOR, NORTH CAROLINA**  
**Other Post Employment Benefits**  
**Required Supplementary Information**  
**Schedule of Changes in OPEB Liability and Related Ratios**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>
Balance at July 1, 2018	\$ 262,821	\$ 256,673
Changes for the year		
Service cost	23,172	25,127
Interest	9,294	7,639
Changes in benefit terms	-	-
Differences between expected and actual experience	(2,618)	174
Changes in assumptions or other inputs	(12,922)	(20,948)
Benefit payments	(3,525)	(5,844)
Net changes	<u>13,401</u>	<u>6,148</u>
Balance at June 30, 2019	<u>\$ 276,222</u>	<u>\$ 262,821</u>
Covered payroll	341,520	279,873
Total OPEB liability as a percentage of covered payroll	80.88%	93.91%

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## TOWN OF CANDOR, NORTH CAROLINA

Schedule 1

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## General Fund

(Page 1 of 4)

Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 434,013	
Penalties and interest		1,240	
Prior year's taxes		37,231	
Total	<u>\$ 471,600</u>	<u>472,484</u>	<u>\$ 884</u>
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax		215,317	
Video franchise tax		2,453	
Utility franchise tax		100,119	
Sales tax refund		10,140	
Gas tax refund		3,595	
Beer and wine excise tax		3,700	
ABC profit distribution		2,631	
Telecommunications sales tax		7,702	
Total	<u>283,020</u>	<u>345,657</u>	<u>62,637</u>
Restricted:			
Powell Bill allocation		27,592	
Solid waste disposal tax		579	
Total	<u>29,500</u>	<u>28,171</u>	<u>(1,329)</u>
Sales and services:			
Sanitation fees		21,126	
Rental fees		515	
Total	<u>21,460</u>	<u>21,641</u>	<u>181</u>
Investment earnings	<u>500</u>	<u>1,573</u>	<u>1,073</u>
Miscellaneous	<u>84,065</u>	<u>87,895</u>	<u>3,830</u>
Total Revenues	<u>890,145</u>	<u>957,421</u>	<u>67,276</u>

TOWN OF CANDOR, NORTH CAROLINA

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund (Continued)

(Page 2 of 4)

Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries and employee benefits		\$ 74,301	
Telephone and postage		1,228	
Departmental supplies		7,340	
Insurance and bonds		3,552	
Tax collection fees		10,948	
Other operating expenditures		49,440	
Contracted services		37,136	
Total		<u>183,945</u>	
Public buildings:			
Maintenance and repairs		30,643	
Utilities		11,273	
Insurance and bonds		3,552	
Total		<u>45,468</u>	
Total general government	<u>\$ 252,045</u>	<u>229,413</u>	<u>\$ 22,632</u>
Public safety:			
Police department:			
Salaries and employee benefits		219,919	
Capital outlay		31,270	
Maintenance and repairs		12,561	
Departmental supplies		11,039	
Insurance		3,960	
Other operating expenditures		37,004	
Total		<u>315,753</u>	
Fire:			
Salaries and employee benefits		1,727	
Maintenance and repairs		4,097	
Departmental supplies		16,099	
Other operating expenditures		16,255	
Total		<u>38,178</u>	
Total public safety	<u>340,050</u>	<u>353,931</u>	<u>(13,881)</u>

TOWN OF CANDOR, NORTH CAROLINA

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund (Continued)

(Page 3 of 4)

Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Transportation - streets:			
Streets - municipality:			
Salaries and employee benefits		\$ 23,188	
Utilities		22,855	
Other operating expenditures		13,017	
Insurance		3,552	
Capital outlay		12,250	
Maintenance and repairs		<u>20,359</u>	
Total transportation - streets	<u>\$ 118,600</u>	<u>95,221</u>	<u>\$ 23,379</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		20,795	
Contracted services		60,393	
Total environmental protection	<u>99,475</u>	<u>81,188</u>	<u>18,287</u>
Cultural and recreational:			
Library:			
Other operating expenditures		15,415	
Total		<u>15,415</u>	
Parks and recreational:			
Other operating expenditures		20,923	
Total		<u>20,923</u>	
Cemetery:			
Other operating expenditures		2,318	
Total		<u>2,318</u>	
Marketplace:			
Utilities		789	
Other operating expenditures		11,981	
Total		<u>12,770</u>	
Farmers market:			
Utilities		1,797	
Other operating expenditures		4,401	
Total		<u>6,198</u>	

## TOWN OF CANDOR, NORTH CAROLINA

Schedule 1

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund (Continued)

(Page 4 of 4)

Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Total cultural and recreational	\$ 65,600	\$ 57,624	\$ 7,976
Debt service:			
Principal retirement		19,700	
Interest and other charges		2,134	
Total debt service	21,200	21,834	(634)
Total Expenditures	896,970	839,211	57,759
<b>Revenues Over (Under) Expenditures</b>	<b>(6,825)</b>	<b>118,210</b>	<b>125,035</b>
<b>Other Financing Sources:</b>			
Installment purchase obligations issued	-	31,270	31,270
Transfers from water and sewer fund	-	0	-
Total Other Financing Sources	-	31,270	31,270
<b>Fund Balance Appropriated</b>	<b>6,825</b>	<b>-</b>	<b>(6,825)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>149,480</b>	<b>\$ 149,480</b>
<b>Fund Balance, Beginning</b>		<b>449,676</b>	
<b>Fund Balance, Ending</b>		<b>\$ 599,156</b>	



**TOWN OF CANDOR, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget and Actual (Non-GAAP)**  
**Water and Sewer Fund**  
**Fiscal Year Ended June 30, 2019**

**Schedule 2**  
**(Page 1 of 2)**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water and sewer		\$ 665,162	
Taps/connection fees		14,021	
Total operating revenues	\$ 605,000	679,183	\$ 74,183
Non-operating revenues:			
Interest earned on investments		495	
Penalties and miscellaneous		3,768	
Total non-operating revenues	6,550	4,263	(2,287)
Total revenues	611,550	683,446	71,896
<b>Expenditures:</b>			
Water:			
Salaries and employee benefits		80,233	
Telephone and postage		806	
Water purchase		140,673	
Insurance		3,552	
Maintenance and supplies		84,693	
Capital outlay		7,473	
Contracted services		11,761	
Other operating expenditures		23,377	
Total	349,510	352,568	(3,058)
Sewer:			
Salaries and employee benefits		92,507	
Telephone and postage		791	
Maintenance and supplies		70,420	
Insurance		3,552	
Utilities		23,817	
Contracted services		6,004	
Other operating expenditures		25,935	
Total	223,583	223,026	557
Debt service:			
Interest		3,718	
Principal retirement		22,095	
Total	58,457	25,813	32,644
Total expenditures	631,550	601,407	30,143

**TOWN OF CANDOR, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures**  
**and Changes in Fund Balances - Budget and Actual (Non-GAAP)**  
**Water and Sewer Fund**  
**Fiscal Year Ended June 30, 2019**

**Schedule 2**  
**(Page 2 of 2)**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues under expenditures</b>	\$ (20,000)	\$ 82,039	\$ 102,039
<b>Other financing sources (uses):</b>			
Transfers to other funds:			
General fund	-	-	-
Total other financing sources (uses)	-	-	-
<b>Fund balance appropriated</b>	20,000	-	(20,000)
<b>Net change in fund balance</b>	\$ -	\$ 82,039	\$ 82,039
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis:</b>			
Reconciling items:			
Principal retirement		22,095	
Proceeds from issuance of debt		-	
Capital project fund expenditures		-	
Capital outlay		7,473	
Decrease in deferred outflows of resources - pensions		10,086	
Decrease in deferred inflows of resources - pensions		(643)	
Decrease in net pension liability		13,922	
Increase in deferred outflows of resources - OPEB		36	
Increase in deferred inflows of resources - OPEB		2,625	
Increase in OPEB liability		3,082	
Change in compensated absences		(15,383)	
Depreciation		(104,036)	
FEMA grant revenue from Water Pump Station Fund		111,868	
Total reconciling items		51,125	
Change in net position		\$ 133,164	

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual (Non-GAAP) - Capital Projects Fund - Water Pump Stations  
From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>Revenues:</b>					
FEMA grant	\$ 542,000	\$ -	\$ 111,868	\$ 111,868	\$ (430,132)
Other grant revenue	248,000	-	-	-	(248,000)
Total revenues	<u>790,000</u>	<u>-</u>	<u>111,868</u>	<u>111,868</u>	<u>(678,132)</u>
<b>Expenditures:</b>					
Construction		-	841,107	841,107	
Engineering		-	35,542	35,542	
Interest		-	8,198	8,198	
Other expenditures		-	7,737	7,737	
Total expenditures	<u>1,140,000</u>	<u>-</u>	<u>892,584</u>	<u>892,584</u>	<u>(247,416)</u>
<b>Revenue under expenditures</b>	<u>(350,000)</u>	<u>-</u>	<u>(780,716)</u>	<u>(780,716)</u>	<u>(430,716)</u>
Other financing sources:					
Proceeds from issuance of debt	<u>350,000</u>	<u>-</u>	<u>254,912</u>	<u>254,912</u>	<u>(95,088)</u>
Total other financing sources	<u>350,000</u>	<u>-</u>	<u>254,912</u>	<u>254,912</u>	<u>(95,088)</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (525,804)</u>	<u>\$ (525,804)</u>	<u>\$ (525,804)</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Schedule of Changes in Assets and Liabilities**  
**Fireman's Relief Fund**  
**Fiscal Year Ended June 30, 2019**

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**Schedule 4**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 60,097</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 60,250</u>
<b>Liabilities</b>				
Intergovernmental payable	<u>\$ 60,097</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 60,250</u>

**TOWN OF CONDOR, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**Last Ten Years**

**Schedule 5**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and other credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 476,300	\$ 470,313	\$ 5,987
2017-2018	4,163	-	384	3,779
2016-2017	7,857	-	126	7,731
2015-2016	7,254	-	377	6,877
2014-2015	5,424	-	-	5,424
2013-2014	1,556	-	38	1,518
2012-2013	1,142	-	-	1,142
2011-2012	959	-	-	959
2010-2011	817	-	-	817
2009-2010	1,035	-	-	1,035
2008-2009	1,269	-	1,269	-
	<u>\$ 31,476</u>	<u>\$ 476,300</u>	<u>\$ 472,507</u>	<u>35,269</u>
Less: allowance for uncollectible Ad Valorem taxes receivable				19,076
Net Ad Valorem taxes receivable				<u>\$ 16,193</u>
Reconciliation with revenues:				
Ad Valorem taxes - General fund				\$ 472,484
Reconciling items:				
Other				<u>23</u>
Total collections and credits				<u>\$ 472,507</u>

**TOWN OF CANDOR, NORTH CAROLINA**  
**Analysis of Current Tax Levy and Town-Wide Levy**  
**Fiscal Year Ended June 30, 2019**

**Schedule 6**

	Town - Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$67,663,104	0.65	\$476,304	\$440,403	\$ 35,901
Discoveries - current and prior years	-	0.65	-	-	-
Releases	<u>(620)</u>	0.65	<u>(4)</u>	<u>(4)</u>	<u>-</u>
Total property valuation	<u>\$67,662,484</u>				
Net Levy			476,300	440,399	35,901
Unpaid (by taxpayer) taxes at June 30, 2019			<u>5,987</u>	<u>5,987</u>	<u>-</u>
Current year's taxes collected			<u>\$470,313</u>	<u>\$434,412</u>	<u>\$ 35,901</u>
Current levy collection percentage			<u>98.74%</u>	<u>98.64%</u>	<u>100.00%</u>