

**TOWN OF CHADBOURN, NORTH CAROLINA**

Report of Audit

For the Fiscal Year Ended June 30, 2019

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	6
Management's Discussion and Analysis .....	9

***Basic Financial Statements***

*Government-wide Financial Statements:*

Statement of Net Position .....	20
Statement of Activities.....	22

*Fund Financial Statements:*

Balance Sheet – Governmental Funds .....	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	29
Statement of Fund Net Position – Proprietary Fund .....	30
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....	33
Statement of Cash Flows – Proprietary Fund.....	34
Notes to the Financial Statements .....	36

***Required Supplementary Financial Data***

Proportionate Share of Net Pension Liability (Asset) - LGERS .....	74
Town's Contributions - LGERS.....	75
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance.....	76
Schedule of Total Pension Liability as a Percentage of Covered Payroll .....	77
Schedule of Changes in the Total OPEB Liability and Related Ratios .....	79

***Major Governmental Funds – General Fund***

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	82
---	----

***Enterprise Funds***

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water Fund .....	86
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Capital Reserve Fund .....	89
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – USDA Water Project Fund .....	90
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Sewer Fund .....	91
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – USDA Sewer Project Fund .....	93
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Stormwater Fund .....	94

***Other Schedules***

Schedule of Ad Valorem Taxes Receivable – General Fund .....	98
Analysis of Current Tax Levy .....	99

***Compliance Section***

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	102
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act .....	104
Schedule of Findings and Questioned Costs .....	106
Corrective Action Plan .....	110
Summary Schedule of Prior Audit Findings .....	111
Schedule of Expenditures of Federal and State Awards .....	112
Notes to Schedule of Expenditures of Federal and State Awards .....	113



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina

## *Financial Section*

---

---

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chadbourn, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Chadbourn's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the West Columbus ABC Board were not audited in accordance with Government Auditing Standards.

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

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

## ***Opinions***

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

## ***Other Matters***

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

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

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of Town of Chadbourn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chadbourn's internal control over financial reporting and compliance.

***W Greene PLLC***

Whiteville, North Carolina  
November 8, 2019



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

### Financial Highlights

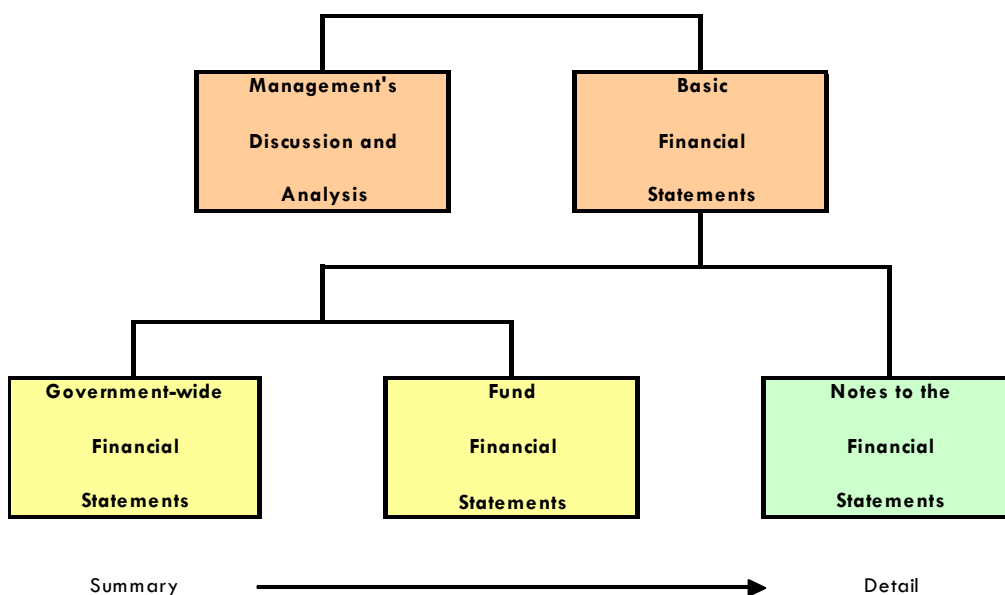
- The assets and deferred outflows of resources of the Town of Chadbourn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,053,881 (net position).
- The government's total net position increased by \$1,135,360, primarily due to an increase in capital grants and contributions.
- As of the close of the current fiscal year, the Town of Chadbourn's governmental funds reported combined ending fund balances of \$2,020,849, with an increase of \$213,070 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,738,355 or 113 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

#### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (pages 20 through 23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 24 through 35) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; and 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as administration, public safety, streets and highways, and inspections. 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. This includes the water and sewer services offered by the Town of Chadbourn. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 20 through 23 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 Chadbourn, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Chadbourn can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a

result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 36 through 71 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Chadbourn's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

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

## Government-Wide Financial Analysis

## The Town of Chadbourn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,609,003	\$ 1,984,785	\$ 2,066,757	\$ 1,910,174	\$ 4,675,760	\$ 3,894,959
Capital assets	2,211,479	2,278,284	12,366,454	12,028,311	14,577,933	14,306,595
Deferred outflows of resources	135,677	72,421	65,999	32,746	201,676	105,167
Total assets and deferred outflows of resources	4,956,159	4,335,490	14,499,210	13,971,231	19,455,369	18,306,721
Long-term liabilities outstanding	245,450	402,240	3,428,792	3,514,572	3,674,242	3,916,812
Other liabilities	87,474	100,107	239,623	330,511	327,097	430,618
Deferred inflows of resources	396,259	34,353	3,880	6,417	400,139	40,770
Total liabilities and deferred inflows of resources	729,183	536,700	3,672,295	3,851,500	4,401,478	4,388,200
Net position:						
Net investment in capital assets	2,211,479	1,998,277	8,939,916	8,527,565	11,151,395	10,525,842
Restricted	282,494	277,481	-	-	282,494	277,481
Unrestricted	1,732,993	1,523,032	1,886,999	1,592,166	3,619,992	3,115,198
Total net position	\$ 4,226,966	\$ 3,798,790	\$ 10,826,915	\$ 10,119,731	\$ 15,053,881	\$ 13,918,521
Total Liabilities and Net Position	4,956,149	4,335,490	14,499,210	13,971,231	19,455,359	18,306,721

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Chadbourn exceeded liabilities and deferred inflows by \$15,053,881 as of June 30, 2019. The Town's net position increased by \$1,135,360 for the fiscal year ended June 30, 2019. However, the largest portion (74.08%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Chadbourn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Chadbourn's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Chadbourn's net position \$282,494 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$3,619,992 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 87.68%

## The Town of Chadbourn's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 281,843	\$ 286,644	\$ 909,632	\$ 971,037	\$ 1,191,475	\$ 1,257,681
Operating grants and contributions	204,937	141,822	75,100	-	280,037	141,822
Capital grants and contributions	-	-	771,911	769,759	771,911	769,759
General Revenues						
Property taxes	545,690	527,522	-	-	545,690	527,522
Other taxes	554,499	541,313	-	-	554,499	541,313
Other	176,940	87,721	40,941	35,090	217,881	122,811
Total revenues	1,763,909	1,585,022	1,797,584	1,775,886	3,561,493	3,360,908
Expenses:						
Governing Body	44,161	47,772	-	-	44,161	47,772
Administration	227,591	248,609	-	-	227,591	248,609
Civic Center	5,731	5,541	-	-	5,731	5,541
Public Buildings	84,846	9,496	-	-	84,846	9,496
Police	521,346	568,959	-	-	521,346	568,959
Inspections	23,628	28,990	-	-	23,628	28,990
Fire	36,492	38,708	-	-	36,492	38,708
Street Department	63,869	73,829	-	-	63,869	73,829
Powell Bill	82,851	50,544	-	-	82,851	50,544
Sanitation	236,209	190,792	-	-	236,209	190,792
Recreation	9,009	16,832	-	-	9,009	16,832
Special Appropriations	-	-	-	-	-	-
Interest on long-term debt	-	42,979	-	-	-	42,979
Water	-	-	546,759	546,553	546,759	546,553
Sewer	-	-	465,778	424,938	465,778	424,938
Stormwater	-	-	77,863	11,484	77,863	11,484
Total expenses	1,335,733	1,323,051	1,090,400	982,975	2,426,133	2,306,026
Increase(Decrease) in net position before transfers	428,176	261,971	707,184	792,911	1,135,360	1,054,882
Transfers	-	-	-	-	-	-
Change in net position	428,176	261,971	707,184	792,911	1,135,360	1,054,882
Net position, beginning	3,798,790	3,536,819	10,119,731	9,326,820	13,918,521	12,863,639
Net position, June 30	\$ 4,226,966	\$ 3,798,790	\$ 10,826,915	\$ 10,119,731	\$ 15,053,881	\$ 13,918,521

**Governmental activities.** Governmental activities increased the Town's net position by \$428,176. Key element of this increase is as follows:

- Revenues continue to exceed expenditures. Property tax revenue and other tax revenue increased over the previous year.

**Business-type activities.** Business-type activities increased the Town of Chadbourn's net position by \$707,184 primarily due to grant revenues.

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Chadbourn. At the end of the current fiscal year, Town of Chadbourn's fund balance available in the General Fund was \$1,859,985, while total fund balance reached \$2,020,849. The Town currently has an available fund balance of 120.93 percent of total General Fund expenditures, while total fund balance represents 131.39 percent of the same amount.

At June 30, 2019, the governmental funds of Town of Chadbourn reported a combined fund balance of \$2,020,849, with a net increase in fund balance of \$213,070. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

Revenues were less than the budgeted amounts primarily because the intergovernmental revenues were less than anticipated. Expenditures were held in check to comply with its budgetary requirements except in the Sanitation department.

**Proprietary Funds.** The Town of Chadbourn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Proprietary Funds at the end of the fiscal year amounted to \$1,886,999. The total change in net position for the Proprietary Funds was an increase of \$707,184.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Chadbourn's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$14,577,933 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Vehicle in Governmental activities.
- Infrastructure and equipment in the Business-type activities.

#### The Town of Chadbourn's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 117,520	\$ 117,520	\$ -	\$ -	\$ 117,520	\$ 117,520
Construction in Progress	-	-	-	4,043,926	-	4,043,926
Buildings	1,130,347	1,160,778	-	-	1,130,347	1,160,778
Vehicles and Equipment	163,617	181,386	258,631	230,155	422,248	411,541
Infrastructure	799,995	818,600	12,107,823	7,754,230	12,907,818	8,572,830
Total	\$ 2,211,479	\$ 2,278,284	\$ 12,366,454	\$ 12,028,311	\$ 14,577,933	\$ 14,306,595

Additional information on the Town's capital assets can be found on page 46 in the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2019, the Town of Chadbourn had total debt outstanding of \$3,772,266. Of this, \$1,669,500 is debt backed by the full faith and credit of the Town of Chadbourn.

**The Town of Chadbourn's Outstanding Debt**
**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Installment Purchases	\$ -	\$ 280,007	\$ 41,964	\$ 55,045	\$ 41,964	\$ 335,052
General Obligation Debt	-	-	1,669,500	1,723,500	1,669,500	1,723,500
BAN's	-	-	-	1,746,000	-	1,746,000
Revenue Bonds	-	-	1,717,000	-	1,717,000	-
Compensated absences	22,616	18,780	12,304	14,659	34,920	33,439
OPEB	7,625	6,881	4,478	4,034	12,103	10,915
Pension related debt (LGERS)	156,139	80,747	81,570	38,415	237,709	119,162
Pension related debt (LEO)	59,070	47,286	-	-	59,070	47,286
<b>Total</b>	<b>\$ 245,450</b>	<b>\$ 433,701</b>	<b>\$ 3,526,816</b>	<b>\$ 3,581,653</b>	<b>\$ 3,772,266</b>	<b>\$ 4,015,354</b>

The Town of Chadbourn's total debt decreased by \$243,088 during the fiscal year, primarily due to the payments on the installment purchase debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Chadbourn is \$6,376,197. The Town of Chadbourn does not have any authorized but un-issued debt at June 30, 2019.

Additional information regarding the Town of Chadbourn's long-term debt can be found beginning on page 66 in the Notes to the Financial Statements.

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

The following key economic indicators reflect the current status of the Town.

- Population growth. The Town's stagnant population growth is primarily due to lack of industry to support jobs.

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

**Governmental Activities.** Revenues are expected to decrease due to the decrease in population of the Town.

**Business-type Activities.** Water and Sewer rates in the Town are not expected to increase for the next year.



**Requests for Information**

This report is designed to provide an overview of the Town 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 following:

**Patricia Garrell  
Finance Director  
Town of Chadbourn  
602 N. Brown Street  
Chadbourn, NC 28431**



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina

## *Basic Financial Statements*

---

**TOWN OF CHADBOURN, NORTH CAROLINA**
**Statement of Net Position**

June 30, 2019

	Primary Government			West Columbus
	Governmental	Business-Type	Total	ABC Board
	Activities	Activities		
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,827,570	\$ 1,834,758	\$ 3,662,328	\$ 156,181
Receivables (net):				
Ad Valorem Taxes	105,113	-	105,113	-
Interest	27,526	-	27,526	-
Accounts	20,217	126,387	146,604	-
Inventories	-	-	-	69,703
Prepaid Expenses	-	-	-	-
Due from Component Unit	3,000	-	3,000	-
Due from Other Governments	137,647	29,000	166,647	-
Deposits	-	-	-	-
Restricted Cash and Cash Equivalents	487,930	76,612	564,542	-
Total Current Assets	2,609,003	2,066,757	4,675,760	225,884
Noncurrent Assets:				
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	117,520	-	117,520	77,702
Other Capital Assets, Net of Depreciation	2,093,959	12,366,454	14,460,413	274,805
Total Noncurrent Assets	2,211,479	12,366,454	14,577,933	352,507
<b>Total Assets</b>	<b>\$ 4,820,482</b>	<b>\$ 14,433,211</b>	<b>\$ 19,253,693</b>	<b>\$ 578,391</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	135,677	65,999	201,676	9,667
Total Deferred Outflows of Resources	\$ 135,677	\$ 65,999	\$ 201,676	\$ 9,667

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Net Position (Continued)

June 30, 2019

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 87,484	\$ 66,867	\$ 154,351	\$ 22,442
Customer Deposits	-	74,686	74,686	-
Prepaid Water Billings	-	46	46	-
Due to Primary Government	-	-	-	3,000
Distributions Payable	-	-	-	-
Current Portion of Long-Term Liabilities	-	98,024	98,024	9,193
Total Current Liabilities	87,484	239,623	327,107	34,635
Long-Term Liabilities:				
Net Pension Liability	156,139	81,570	237,709	4,033
Total Pension Liability	59,070	-	59,070	-
Total OPEB Liability	7,625	4,478	12,103	-
Due in More Than One year	22,616	3,342,744	3,365,360	198,383
Total Long-Term Liabilities	245,450	3,428,792	3,674,242	202,416
<b>Total Liabilities</b>	<b>332,934</b>	<b>3,668,415</b>	<b>4,001,349</b>	<b>237,051</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid Taxes	1,731	-	1,731	-
Deferred Grants	366,300	-	366,300	-
Pension Deferrals	27,219	3,288	30,507	21
OPEB Deferrals	1,009	592	1,601	-
<b>Total Deferred Inflows of Resources</b>	<b>396,259</b>	<b>3,880</b>	<b>400,139</b>	<b>21</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,211,479	8,939,916	11,151,395	159,798
Restricted for:				
Transportation	121,630	-	121,630	-
Stabilization by State Statute	160,864	-	160,864	-
Capital Improvements	-	-	-	84,256
Working Capital	-	-	-	21,695
Unrestricted	1,732,993	1,886,999	3,619,992	85,237
<b>Total Net Position</b>	<b>\$ 4,226,966</b>	<b>\$ 10,826,915</b>	<b>\$ 15,053,881</b>	<b>\$ 350,986</b>

# TOWN OF CHADBOURN, NORTH CAROLINA

## Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 44,161	\$ -	\$ -	\$ -
Administration	227,591	450	-	-
Civic Center	5,731	-	-	-
Public Buildings	84,846	-	-	-
Police	521,346	-	3,000	-
Inspections	23,628	6,950	-	-
Fire	36,492	-	-	-
Street Department	63,869	-	139,536	-
Powell Bill	82,851	-	61,150	-
Sanitation	236,209	273,460	1,251	-
Recreation	9,009	983	-	-
Interest on long-term debt	-	-	-	-
Total Governmental Activities	1,335,733	281,843	204,937	-
Business-Type Activities:				
Water	546,759	440,411	-	410,010
Sewer	465,778	437,878	-	361,901
Stormwater	77,863	31,343	75,100	-
Total Business-Type Activities	1,090,400	909,632	75,100	771,911
Total Primary Government	2,426,133	1,191,475	280,037	771,911
Component Units:				
West Columbus ABC Board	759,086	727,879	-	-
Total Component Units	\$ 759,086	\$ 727,879	\$ -	\$ -

# TOWN OF CHADBOURN, NORTH CAROLINA

## Statement of Activities (Continued)

For the Year Ended June 30, 2019

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
Functions/Programs	Governmental Activities	Business-Type Activities	Totals	West Columbus ABC Board
Primary Government:				
Governmental Activities:				
Governing Body	\$ (44,161)	\$ -	\$ (44,161)	\$ -
Administration	(227,141)	-	(227,141)	-
Civic Center	(5,731)	-	(5,731)	-
Public Buildings	(84,846)	-	(84,846)	-
Police	(518,346)	-	(518,346)	-
Inspections	(16,678)	-	(16,678)	-
Fire	(36,492)	-	(36,492)	-
Street Department	75,667	-	75,667	-
Powell Bill	(21,701)	-	(21,701)	-
Sanitation	38,502	-	38,502	-
Recreation	(8,026)	-	(8,026)	-
Interest on long-term debt	-	-	-	-
Total Governmental Activities	(848,953)	-	(848,953)	-
Business-Type Activities:				
Water	-	303,662	303,662	-
Sewer	-	334,001	334,001	-
Stormwater	-	28,580	28,580	-
Total Business-Type Activities	-	666,243	666,243	-
Total Primary Government	(848,953)	666,243	(182,710)	-
Component Units:				
West Columbus ABC Board	-	-	-	(31,207)
Total Component Units	-	-	-	(31,207)
General Revenues:				
Property Taxes, Levied for General Purpose	545,690	-	545,690	-
Other Taxes and Licenses	554,499	-	554,499	-
Investment Earnings	45,487	28,463	73,950	215
Miscellaneous	131,453	12,478	143,931	4,497
Transfers	-	-	-	-
Total General Revenues and Transfers	1,277,129	40,941	1,318,070	4,712
Change in Net Position	428,176	707,184	1,135,360	(26,495)
Net Position - Beginning of Year	3,798,790	10,119,731	13,918,521	377,481
Net Position - End of Year	\$ 4,226,966	\$ 10,826,915	\$ 15,053,881	\$ 350,986

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Balance Sheet

## Governmental Funds

June 30, 2019

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,827,570	\$ 1,827,570
Restricted Cash	487,930	487,930
Receivables (net):		
Ad Valorem Taxes	105,113	105,113
Sanitation	20,217	20,217
Due from Component Unit	3,000	3,000
Due from Other Governments	137,647	137,647
<b>Total Assets</b>	<u>2,581,477</u>	<u>2,581,477</u>
<b>LIABILITIES</b>		
Accounts Payable and		
Accrued Liabilities	87,484	87,484
<b>Total Liabilities</b>	<u>87,484</u>	<u>87,484</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Receivable	105,113	105,113
Deferred Grants	366,300	366,300
Prepaid Taxes	1,731	1,731
<b>Total Deferred Inflows of Resources</b>	<u>473,144</u>	<u>473,144</u>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	160,864	160,864
Streets	121,630	121,630
Assigned		
Subsequent Year's Expenditures:	-	-
Unassigned	1,738,355	1,738,355
<b>Total Fund Balances</b>	<u>2,020,849</u>	<u>2,020,849</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,581,477</u>	



**TOWN OF CHADBOURN, NORTH CAROLINA**

## Balance Sheet (Continued)

## Governmental Funds

June 30, 2019

		<b>Total Governmental Funds</b>
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 2,020,849
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	3,153,668	
Accumulated depreciation	<u>(942,189)</u>	2,211,479
Deferred outflows of resources related to pensions are not reported in the funds		135,677
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>27,526</u>	27,526
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>105,113</u>	105,113
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases	-	
Capital lease purchases	-	
OPEB liability	(7,625)	
Compensated absences	(22,616)	
Net pension liability	(156,139)	
Total pension liability	<u>(59,070)</u>	(245,450)
Deferred inflows of resources related to OPEB are not reported in the funds		(1,009)
Deferred inflows of resources related to pensions are not reported in the funds		(27,219)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>-</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 4,226,966</u></u></b>

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

	<b>Major Funds</b>		<b>Total</b>	
	<b>General Fund</b>		<b>Governmental Funds</b>	
<b>Revenues</b>				
Ad Valorem Taxes	\$	532,944	\$	532,944
Other Taxes and Licenses		450		450
Unrestricted Intergovernmental		554,499		554,499
Restricted Intergovernmental		204,937		204,937
Permits and Fees		6,950		6,950
Sales and Services		274,443		274,443
Investment Earnings		45,487		45,487
Miscellaneous		131,453		131,453
<b>Total Revenues</b>		<b>1,751,163</b>		<b>1,751,163</b>
<b>Expenditures</b>				
Current				
Governing Body		44,161		44,161
Administration		195,397		195,397
Civic Center		5,731		5,731
Public Buildings		84,846		84,846
Police		467,579		467,579
Inspections		23,628		23,628
Fire		36,492		36,492
Street Department		38,642		38,642
Powell Bill		82,586		82,586
Sanitation		236,209		236,209
Recreation		6,809		6,809
Debt Service				
Principal		280,007		280,007
Interest and Other charges		11,280		11,280
Capital Outlay				
Police		24,726		24,726
Street		-		-
<b>Total Expenditures</b>		<b>1,538,093</b>		<b>1,538,093</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>		<b>213,070</b>		<b>213,070</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds		-		-
Transfers to Other Funds		-		-
Installment purchase obligation issued		-		-
<b>Total Other Financing Sources (Uses)</b>		<b>-</b>		<b>-</b>
<b>Net Change in Fund Balance</b>		<b>213,070</b>		<b>213,070</b>
<b>Fund Balance - Beginning of Year</b>		<b>1,807,779</b>		<b>1,807,779</b>
<b>Fund Balance - End of Year</b>	<b>\$</b>	<b>2,020,849</b>	<b>\$</b>	<b>2,020,849</b>

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

## Governmental Funds

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	213,070
---	----	---------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	24,726	
Depreciation expense	<u>(91,531)</u>	(66,805)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		(3,740)
--	--	---------

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

Change in unavailable revenue for tax revenues	12,684	
Interest earned on ad valorem taxes	<u>62</u>	12,746

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.

Debt issuance	-	
Debt retirement	280,007	
Increase in accrued interest payable	<u>11,533</u>	291,540

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:

OPEB plan expense	(1,078)	
Compensated absences	(3,836)	
Pension expense	<u>(13,721)</u>	(18,635)

Total changes in net position of governmental activities	\$	<u>428,176</u>
--	----	----------------



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina

**TOWN OF CHADBOURN, NORTH CAROLINA**  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 479,725	\$ 476,225	\$ 532,944	\$ 56,719
Other Taxes and Licenses	800	800	450	(350)
Unrestricted Intergovernmental	524,000	524,000	554,499	30,499
Restricted Intergovernmental	67,086	497,086	204,937	(292,149)
Permits and Fees	4,200	4,200	6,950	2,750
Sales and Services	270,000	270,000	274,443	4,443
Investment Earnings	13,900	13,900	45,487	31,587
Miscellaneous	13,225	94,881	131,453	36,572
<b>Total Revenues</b>	<b>1,372,936</b>	<b>1,881,092</b>	<b>1,751,163</b>	<b>(129,929)</b>
<b>Expenditures</b>				
Governing Body	52,093	54,093	44,161	9,932
Administration	271,411	893,790	461,243	432,547
Civic Center	7,900	7,900	5,731	2,169
Public Buildings	12,850	124,484	84,846	39,638
Police	587,593	612,614	517,746	94,868
Inspections	41,500	48,000	23,628	24,372
Fire	39,500	39,500	36,492	3,008
Street Department	71,628	71,628	38,642	32,986
Powell Bill	63,486	112,730	82,586	30,144
Sanitation	202,000	202,000	236,209	(34,209)
Recreation	22,975	22,975	6,809	16,166
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>1,372,936</b>	<b>2,189,714</b>	<b>1,538,093</b>	<b>651,621</b>
<b>Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>(308,622)</b>	<b>213,070</b>	<b>521,692</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Installment purchase obligation issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>(308,622)</b>	<b>213,070</b>	<b>521,692</b>
<b>Appropriated Fund Balance</b>	<b>-</b>	<b>308,622</b>	<b>-</b>	<b>(308,622)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>213,070</b>	<b>\$ 213,070</b>
<b>Fund Balance - Beginning of Year</b>			<b>1,807,779</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,020,849</b>	

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Fund Net Position

## Proprietary Fund

June 30, 2019

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 755,215	\$ 951,410	\$ 128,133	\$ 1,834,758
Accounts Receivable (net)	72,303	51,442	2,642	126,387
Due from Other Governments	29,000	-	-	29,000
Restricted Cash and Cash Equivalents	55,258	21,354	-	76,612
<b>Total Current Assets</b>	<b>911,776</b>	<b>1,024,206</b>	<b>130,775</b>	<b>2,066,757</b>
<b>Noncurrent Assets</b>				
Capital Assets				
Other Capital Assets, Net of Depreciation	6,308,107	6,044,009	14,338	12,366,454
<b>Total Capital Assets</b>	<b>6,308,107</b>	<b>6,044,009</b>	<b>14,338</b>	<b>12,366,454</b>
<b>Total Noncurrent Assets</b>	<b>6,308,107</b>	<b>6,044,009</b>	<b>14,338</b>	<b>12,366,454</b>
<b>Total Assets</b>	<b>7,219,883</b>	<b>7,068,215</b>	<b>145,113</b>	<b>14,433,211</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	56,739	9,260	-	65,999
<b>Total Deferred Outflows of Resources</b>	<b>\$ 56,739</b>	<b>\$ 9,260</b>	<b>\$ -</b>	<b>\$ 65,999</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Fund Net Position (Continued)

## Proprietary Fund

June 30, 2019

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable and				
Accrued Liabilities	\$ 51,257	\$ 15,545	\$ 65	\$ 66,867
Customer Deposits	55,258	19,428	-	74,686
Prepaid Utilities	46	-	-	46
Installment Purchase Obligations Payable	13,524	-	-	13,524
Revenue Bonds Payable	9,000	19,000	-	28,000
General Obligations Bonds Payable	-	56,500	-	56,500
<b>Total Current Liabilities</b>	<b>129,085</b>	<b>110,473</b>	<b>65</b>	<b>239,623</b>
<b>Noncurrent Liabilities</b>				
Installment Purchase Obligation Payable	28,440	-	-	28,440
Revenue Bonds Payable	578,000	1,111,000	-	1,689,000
General Obligations Bonds Payable	-	1,613,000	-	1,613,000
Compensated Absences Payable	11,828	476	-	12,304
Net Pension Liability	70,125	11,445	-	81,570
Total OPEB Liability	3,389	1,089	-	4,478
<b>Total Noncurrent Liabilities</b>	<b>691,782</b>	<b>2,737,010</b>	<b>-</b>	<b>3,428,792</b>
<b>Total Liabilities</b>	<b>820,867</b>	<b>2,847,483</b>	<b>65</b>	<b>3,668,415</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Deferrals	2,827	461	-	3,288
OPEB Deferrals	448	144	-	592
<b>Total Deferred Inflows of Resources</b>	<b>3,275</b>	<b>605</b>	<b>-</b>	<b>3,880</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,679,143	3,246,435	14,338	8,939,916
Unrestricted	773,337	982,952	130,710	1,886,999
<b>Total Net Position</b>	<b>\$ 6,452,480</b>	<b>\$ 4,229,387</b>	<b>\$ 145,048</b>	<b>\$ 10,826,915</b>



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina



**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Revenues, Expenses, and Changes in Fund Net Position

## Proprietary Fund

For the Year Ended June 30, 2019

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>Operating Revenues</b>				
Water Charges	\$ 410,760	\$ -	\$ -	\$ 410,760
Sewer Charges	-	436,978	-	436,978
Taps and Reconnect Fees	4,143	900	-	5,043
Reserve Assessments	25,508	-	-	25,508
Stormwater Fees	-	-	31,343	31,343
<b>Total Operating Revenues</b>	<b>440,411</b>	<b>437,878</b>	<b>31,343</b>	<b>909,632</b>
<b>Operating Expenses</b>				
Water Operations	358,863	-	-	358,863
Wastewater Treatment	-	156,613	-	156,613
Sewer Operations	-	124,108	-	124,108
Stormwater	-	-	75,337	75,337
Depreciation	176,838	88,949	2,526	268,313
<b>Total Operating Expenses</b>	<b>535,701</b>	<b>369,670</b>	<b>77,863</b>	<b>983,234</b>
<b>Operating Income (Loss)</b>	<b>(95,290)</b>	<b>68,208</b>	<b>(46,520)</b>	<b>(73,602)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Earnings	13,421	15,042	-	28,463
Miscellaneous	10,200	2,278	-	12,478
Interest Expense	(11,058)	(96,108)	-	(107,166)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>12,563</b>	<b>(78,788)</b>	<b>-</b>	<b>(66,225)</b>
<b>Total Income (Loss) Before Contributions and Transfers</b>	<b>(82,727)</b>	<b>(10,580)</b>	<b>(46,520)</b>	<b>(139,827)</b>
Capital Contributions	410,010	361,901	75,100	847,011
Transfers from Other Funds	23,963	287,409	-	311,372
Transfers to Other Funds	(287,409)	(23,963)	-	(311,372)
<b>Change in Net Position</b>	<b>63,837</b>	<b>614,767</b>	<b>28,580</b>	<b>707,184</b>
<b>Net Position - Previously Reported</b>	<b>6,388,643</b>	<b>3,614,620</b>	<b>116,468</b>	<b>10,119,731</b>
<b>Beginning Net Position - Restated</b>	<b>6,388,643</b>	<b>3,614,620</b>	<b>116,468</b>	<b>10,119,731</b>
<b>Net Position - End of Year</b>	<b>\$ 6,452,480</b>	<b>\$ 4,229,387</b>	<b>\$ 145,048</b>	<b>\$ 10,826,915</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Cash Flows

## Proprietary Fund

For the Year Ended June 30, 2019

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Totals
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 411,087	\$ 443,144	\$ 30,968	\$ 885,199
Cash Paid for Goods and Services	(121,728)	(358,892)	(75,423)	(556,043)
Cash Paid to Employees for Services	(230,938)	(43,877)	-	(274,815)
Customer Deposits Received	4,250	7,850	-	12,100
Customer Deposits Returned	(5,890)	(4,834)	-	(10,724)
Miscellaneous Income	10,200	2,278	-	12,478
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>66,981</b>	<b>45,669</b>	<b>(44,455)</b>	<b>68,195</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	23,963	287,409	-	311,372
Transfers to Other Funds	(287,409)	(23,963)	-	(311,372)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(263,446)</b>	<b>263,446</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(402,927)	(203,529)	-	(606,456)
Interest Paid on Debt Obligations	(11,058)	(96,108)	-	(107,166)
Principal Paid on Debt Obligations	(22,081)	(74,000)	-	(96,081)
Capital Contributions - Grants	410,010	361,901	75,100	847,011
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(26,056)</b>	<b>(11,736)</b>	<b>75,100</b>	<b>37,308</b>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	13,421	15,042	-	28,463
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	<b>(209,100)</b>	<b>312,421</b>	<b>30,645</b>	<b>133,966</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>1,019,573</b>	<b>660,343</b>	<b>97,488</b>	<b>1,777,404</b>
<b>End of Year</b>	<b>\$ 810,473</b>	<b>\$ 972,764</b>	<b>\$ 128,133</b>	<b>\$ 1,911,370</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Statement of Cash Flows (Continued)

Proprietary Fund

For the Year Ended June 30, 2019

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Totals
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (95,290)	\$ 68,208	\$ (46,520)	\$ (73,602)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	176,838	88,949	2,526	268,313
Miscellaneous Income	10,200	2,278	-	12,478
Changes in Assets and Liabilities				
(Increase)Decrease in -				
Accounts Receivable	532	1,091	(375)	1,248
Due from Other Governments	(28,040)	4,175	-	(23,865)
Deferred Outflows of Resources - pensions	(31,113)	(2,140)	-	(33,253)
Increase (Decrease) in -				
Accounts Payable	(6,773)	(114,532)	(86)	(121,391)
Prepaid Utilities	(1,816)	-	-	(1,816)
Customer Deposits	(1,640)	3,016	-	1,376
Compensated Absences Payable	5,422	(7,777)	-	(2,355)
OPEB Liability	335	109	-	444
Net Pension Liability	40,063	3,092	-	43,155
Deferred Inflows of Resources - pensions	(1,885)	(848)	-	(2,733)
Deferred Inflows of Resources - OPEB	148	48	-	196
<b>Total Adjustments</b>	<b>162,271</b>	<b>(22,539)</b>	<b>2,065</b>	<b>141,797</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 66,981</b>	<b>\$ 45,669</b>	<b>\$ (44,455)</b>	<b>\$ 68,195</b>

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**West Columbus ABC Board**

The Board, as provided by North Carolina Alcoholic Beverage Control Laws, operates one retail location in Chadburn. The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at West Columbus ABC Board, 505 Joe Brown Highway North, Chadburn, North Carolina 28431.

**B. Basis of Presentation, Basis of Accounting**

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

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

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

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

**B. Basis of Presentation, Basis of Accounting (Continued)**

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 items are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

**Water Fund** – This fund is used to account for the operations of the Town-wide water system.

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

**Stormwater Fund** – This fund is used to account for the Town's stormwater operations.

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

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

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

**C. Measurement Focus, Basis of Accounting (Continued)**

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

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

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

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

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for any Grant Project Special Revenue Funds or Enterprise Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to relocate departmental amounts not exceeding \$2,000 between departments of the same fund with an official report to be made by memorandum within the month of transfer to the Board; however, any revisions that alter total expenditures of any fund or that change departmental expenses by more than \$2,000 must be approved by the governing board. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S.159-30(c)] authorized the Town, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC Board'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 fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. West Columbus ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****3. Restricted Assets**

Powell bill funds are classified as restricted cash because they 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. The unexpended cash from the USDA water and sewer project is classified as restricted cash for the enterprise funds because its use is completely restricted to the project. The unexpended grant revenue is restricted in the general fund for grant expenditures. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected

**Town of Chadburn Restricted Cash**

Governmental Activities	
General Fund	
Transportation	\$ 121,630
Economic Development	366,300
Total governmental activities	<u>487,930</u>
Business-type Activities	
Water Fund	55,258
Sewer Fund	21,354
Total business-type activities	<u>76,612</u>
Total Restricted Cash	<u>\$ 564,542</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (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 that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****6. Inventories and Prepaid Items**

The inventories of the Town, and the ABC Board are valued at cost (first-in, first-out), which approximates market.

The inventory of the Town's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the Town's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed or sold.

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, and infrastructure, \$100,000; furniture, equipment, and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and Improvements	50
Infrastructure	50
Vehicles	6
Furniture and Equipment	10

Capital assets of the West Columbus ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	50
Improvements	50
Vehicles	7
Furniture and equipment	10

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

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

**8. Deferred Outflows/Inflows of Resources**

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

**9. Long-Term Obligations**

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

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

**10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the Town 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.

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

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

**11. Net Position/Fund Balances**

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

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

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

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

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

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

The Town of Chadbourn has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

**12. Defined Benefit Cost-Sharing Plans**

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

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All of the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****A. Assets (Continued)****1. Deposits (Continued)**

Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$853,831 and a bank balance of \$951,028. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$156,181 and the bank balance was \$190,662. All of the bank balance was covered by the federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$120.

**2. Investments**

At June 30, 2019, the Town of Chadbourn had \$3,372,919 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. 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 the following allowances for doubtful accounts:

Fund	06/30/2019
General Fund	
Taxes Receivable	\$ 12,000
Sanitation	41,000
Total	<u>53,000</u>
Enterprise Funds	
Water	146,000
Sewer	103,000
Storm Water	4,000
Total	\$ <u>253,000</u>

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****A. Assets (Continued)****4. Capital Assets****Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 117,520	\$ -	\$ -	\$ 117,520
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	117,520	-	-	117,520
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	1,521,549	-	-	1,521,549
Equipment and Vehicles	559,646	24,726	-	584,372
Infrastructure	930,227	-	-	930,227
Total capital assets being depreciated	3,011,422	24,726	-	3,036,148
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	360,771	30,431	-	391,202
Equipment and Vehicles	378,260	42,495	-	420,755
Infrastructure	111,627	18,605	-	130,232
Total accumulated depreciation	850,658	91,531	-	942,189
Total capital assets being depreciated, net	2,160,764			2,093,959
<b>Governmental activity capital assets, net</b>	<u>\$ 2,278,284</u>			<u>\$ 2,211,479</u>

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

	Depreciation
Administration	\$ 28,231
Police	35,873
Street Department	25,227
Recreation	2,200
Total	<u>\$ 91,531</u>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)**
**A. Assets (Continued)**
**4. Capital Assets (Continued)**
**Business-Type Activities:**
**Water Fund**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	611,995	-	611,995	-
Total capital assets not being Depreciated	611,995	-	611,995	-
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	7,358,138	1,014,922	-	8,373,060
Other Equipment	375,690	-	-	375,690
Total capital assets being Depreciated	7,733,828	1,014,922	-	8,748,750
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	2,073,112	147,163	-	2,220,275
Other Equipment	190,693	29,675	-	220,368
Total accumulated depreciation	2,263,805	176,838	-	2,440,643
Total capital assets being depreciated, net	5,470,023			6,308,107
<b>Water Fund capital assets, net</b>	<b>\$ 6,082,018</b>			<b>\$ 6,308,107</b>

**Sewer Fund**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	3,431,931	-	3,431,931	-
Total capital assets not being Depreciated	3,431,931	-	3,431,931	-
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	4,076,333	3,567,360	-	7,643,693
Other Equipment	33,187	68,100	-	101,287
Total capital assets being Depreciated	4,109,520	3,635,460	-	7,744,980
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	1,607,129	81,526	-	1,688,655
Other Equipment	4,893	7,423	-	12,316
Total accumulated depreciation	1,612,022	88,949	-	1,700,971
Total capital assets being depreciated, net	2,497,498			6,044,009
<b>Sewer Fund capital assets, net</b>	<b>\$ 5,929,429</b>			<b>\$ 6,044,009</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****A. Assets (Continued)****4. Capital Assets (Continued)*****Stormwater Fund***

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being Depreciated	-	-	-	-
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	-	-	-	-
Other Equipment	25,263	-	-	25,263
Total capital assets being Depreciated	25,263	-	-	25,263
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	-	-	-	-
Other Equipment	8,399	2,526	-	10,925
Total accumulated depreciation	8,399	2,526	-	10,925
Total capital assets being depreciated, net	16,864			14,338
<b>Stormwater Fund capital assets, net</b>	<b>\$ 16,864</b>			<b>\$ 14,338</b>



**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****A. Assets (Continued)****4. Capital Assets (Continued)****Discretely presented component unit**

Activity for the West Columbus ABC Board for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated</b>				
Land	\$ 67,702	\$ 10,000	\$ -	\$ 77,702
Construction in Progress	26,657	-	26,657	-
Total capital assets not being depreciated	94,359	10,000	26,657	77,702
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	14,838	245,443	-	260,281
Furniture, Fixtures and Equipment	86,644	-	-	86,644
Total capital assets being depreciated	101,482	245,443	-	346,925
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	495	5,241	-	5,736
Furniture, Fixtures and Equipment	61,676	4,708	-	66,384
Total accumulated depreciation	62,171	9,949	-	72,120
Total capital assets being depreciated, net	39,311			274,805
<b>West Columbus ABC Board capital assets, net</b>	<b>\$ 133,670</b>			<b>\$ 352,507</b>

**B. Liabilities****1. Pension Plan Obligations****a. Local Governmental Employees' Retirement System**

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Chadbourn 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 Chadbourn's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Chadbourn were \$44,612 for the year ended June 30, 2019.

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

## II. DETAIL NOTES ON ALL FUNDS (Continued)

## B. Liabilities (Continued)

## 1. Pension Plan Obligations (Continued)

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

***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 \$237,709 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.01002% which was an increase of 0.00222% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$63,306. 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
Differences between expected and actual experience	\$ 36,673	\$ 1,231
Changes of assumptions	63,079	-
Net difference between projected and actual earnings on pension plan investments	32,630	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,338	8,352
Town contributions subsequent to the measurement date	44,612	-
Total	<u>\$ 192,332</u>	<u>\$ 9,583</u>

---

**II. DETAIL NOTES ON ALL FUNDS (Continued)**
**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

\$44,612 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>		
2020	\$	63,784
2021		42,122
2022		9,450
2023		22,781
2024		-
Thereafter		-
	<u>\$</u>	<u>138,137</u>

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

Inflation	3.0 percent
Salary Increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 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.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 570,997	\$ 237,709	\$ (40,792)

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

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

#### 1. Plan Description

The Town of Chadbourn administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****1. Plan Description (Continued)**

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	8
Total	<u>8</u>

**2. Summary of Significant Accounting Policies**

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 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 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.64 percent

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

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

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

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

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

#### 4. Contributions

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

#### **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 \$59,070. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$5,932.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,358	\$ 16,316
Changes of assumptions	2,986	4,608
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 9,344	\$ 20,924

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year Ended June 30:**

2020	\$ (2,459)
2021	(2,459)
2022	(2,459)
2023	(2,459)
2024	(2,221)
Thereafter	477
	<u>\$ (11,580)</u>



## II. DETAIL NOTES ON ALL FUNDS (Continued)

## B. Liabilities (Continued)

## 1. Pension Plan Obligations (Continued)

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

## 4. Contributions (Continued)

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 67,718	\$ 59,070	\$ 51,385

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

	2019
Beginning balance	\$ 47,286
Service Cost	6,897
Interest on the total pension liability	1,494
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	7,421
Changes of assumptions or other inputs	(4,028)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 59,070</u>

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

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 63,306	\$ 5,932	\$ 69,238
Pension Liability	237,709	59,070	296,779
Proportionate share of the net pension liability	0.01002%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	36,673	6,358	43,031
Changes of assumptions	63,079	2,986	66,065
Net difference between projected and actual earnings on plan investments	32,630	-	32,630
Changes in proportion and differences between contributions and proportionate share of contributions	15,338	-	15,338
Benefit payments and administrative costs paid subsequent to the measurement date	44,612	-	44,612
Deferred Inflows of Resources			
Differences between expected and actual experience	1,231	16,316	17,547
Changes of assumptions	-	4,608	4,608
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,352	-	8,352

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

**Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires that the Town contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$14,606 which consisted of \$11,381 from the Town and \$3,225 from the law enforcement officers. No amounts were forfeited.

**All Other Employees**

**Plan Description.** All other employees have the option of contributing to the Supplemental Retirement Plan of North Carolina 401(k). This plan is a defined contribution pension plan and participation is optional.

**Funding Policy.** Contributions for the year ended June 30, 2019 were \$13,792 which consisted of \$9,542 from the Town and \$4,250 from employees other than law enforcement. No amounts were forfeited.

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Postemployment Benefits****Healthcare Benefits**

**Plan Description.** Under the terms of a Town resolution, the Town's policy provides that retirees may participate in the Town's healthcare plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least 10 years and have at least five years of creditable service with the Town. The retiree will be required to pay 100% of the cost of their insurance. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	-
Active plan members	17
Total	<u>17</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$12,103 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation	3.50%–7.75% General Employees 3.50%–7.35% Law Enforcement Employees
Discount rate	3.89%
Healthcare cost trend rate	7.50%, Pre-Medicare

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post Employment Benefits (OPEB)****Healthcare Benefits (Continued)****Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2018</b>	\$ 10,915
<b>Changes for the year</b>	
Service Cost	1,511
Interest	389
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(712)
Benefit payments	-
<b>Net Changes</b>	<u>1,188</u>
<b>Balance at June 30, 2019</b>	<u>\$ 12,103</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 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 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:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB Liability	\$ 14,441	\$ 12,103	\$ 10,249

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post Employment Benefits (OPEB)****Healthcare Benefits (Continued)**

*Sensitivity of 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 costs trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 9,821	\$ 12,103	\$ 15,038

**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 \$1,718. 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	\$ -	\$ -
Changes of assumptions	-	1,601
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 1,601</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post Employment Benefits (OPEB)****Healthcare Benefits (Continued)**

<b>Year Ended June 30:</b>		
2020	\$	(181)
2021		(181)
2022		(181)
2023		(181)
2024		(181)
Thereafter		(696)
	\$	<u>(1,601)</u>

**2. Other Employment Benefits**

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****3. Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan in current	
fiscal year	\$ 44,612
Difference between expected and actual	
experience	43,031
Changes of assumptions	66,065
Changes in proportion and differences between	
contributions and proportionate share of contributions	15,338
Net difference between projected and actual	32,630
Total	<u>\$ 201,676</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 1,731	\$ 1,731
Deferred Grants (General Fund)	366,300	366,300
Taxes receivable (General Fund)	-	105,113
Changes in assumptions	6,209	-
Differences between expected and actual		
experience	17,547	-
Changes in proportion and differences between		
employer contributions and proportionate		
share of contributions	8,352	-
Total	<u>\$ 400,139</u>	<u>\$ 473,144</u>



**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries no flood insurance through the National Flood Insurance Plan (NFIP), as they are considered to be in a low-risk area.

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

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

The West Columbus ABC Board 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 ABC Board has property, general liability, and workers' compensation. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

**5. Claims, Judgments and Contingent Liabilities**

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations****a. Installment Purchases**

In October 2006, the Town entered into an installment loan in the amount of \$310,855 for the construction of a new town hall. The financing contract requires principal payments beginning October 2007. Principal installments of \$17,299 are due annually on October 14 at an annual interest rate of 4.25%. This loan was paid off during the current fiscal year.

In November 2011 the Town entered into an installment loan in the amount of \$125,000 for new Radio Read Meters. The financing contract requires principal payment beginning November 2012. Principal installments of \$14,947 are due annually on March 28 at an annual interest rate of 3.390%. The principal balance at June 30, 2019 was \$41,964.

In August 2017 the Town entered into an installment loan in the amount of \$25,000 for new Police vehicles. The principal balance was paid off during the fiscal year ending June 30, 2019.

For Town of Chadbourn, the future minimum payments as of June 30, 2019, including \$2,877 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ -	\$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	-	-
2035-2039	-	-
2034-2044	-	-
Total	\$ -	\$ -

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****a. Installment Purchases (Continued)**

Year Ending June 30	Water and Sewer Activities	
	Principal	Interest
2020	\$ 13,524	\$ 1,423
2021	13,983	964
2022	14,457	490
2023	-	-
2024	-	-
2025	-	-
Total	\$ 41,964	\$ 2,877

**b. General Obligation Indebtedness**

All general obligation bonds serviced by the Town's General Fund are collateralized by the full faith, credit, and taxing power of the Town. Town of Chadbourn's Water Fund issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water Fund, are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

The Town's general obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

Serviced by the Town's Water and Sewer Fund:

\$2,044,000 Series 1999 Water and Sewer Bonds

Principal and interest due on June 1, in annual installments  
through June 1, 2039

Total

\$	1,669,500
\$	1,669,500

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****b. General Obligation Indebtedness (Continued)**

Annual debt service requirements to maturity for the Town's and the Water Fund's general obligation bonds are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 56,500	\$ 75,128
2021	59,000	72,585
2022	61,000	69,930
2023	63,500	67,185
2024	66,500	64,328
2025-2029	380,000	273,623
2030-2034	463,000	182,250
2035-2039	520,000	70,200
2040	-	-
Total	\$ 1,669,500	\$ 875,229

At June 30, 2019, the Town of Chadbourn had a legal debt margin of \$6,376,197.

**c. Revenue Bonds**

The Water and Sewer Funds within Town of Chadbourn have issued various Revenue Bonds in order to finance various water and sewer improvements.

Serviced by the Town's Water Fund:

\$596,000 Water and Sewer System Revenue Bond

(Series 2018B USDA) issued on August 22, 2018;

Interest at 2.75%. Maturity in 2058.

\$ 587,000

Serviced by the Town's Sewer Fund:

\$1,150,000 Water and Sewer System Revenue Bond

(Series 2018A USDA) issued on August 22, 2018;

Interest at 2.125%. Maturity in 2058.

Total

1,130,000

\$ 1,717,000

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****B. Liabilities (Continued)****6. Long-Term Obligations (Continued)****c. Revenue Bonds (Continued)**

Annual debt service requirements to maturity for the Water and Sewer revenue bonds are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 28,000	\$ 40,155
2021	28,000	39,504
2022	29,000	38,853
2023	29,000	38,180
2024	31,000	37,508
2025-2029	162,000	176,564
2030-2034	181,000	156,867
2035-2039	204,000	134,656
2040-2044	229,000	109,732
2045-2049	256,000	81,681
2050-2054	289,000	50,199
2055-2058	251,000	14,745
Total	\$ 1,717,000	\$ 918,644

**d. Long-Term Obligation Activity**

<b>Governmental activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchase	\$ 280,007	\$ -	\$ 280,007	\$ -	\$ -
Compensated absences	18,780	3,836	-	22,616	-
Net Pension Liability (LGRS)	80,747	75,392	-	156,139	-
Total Pension Liability (LEO)	47,286	11,784	-	59,070	-
Total OPEB Liability	6,881	744	-	7,625	-
Total governmental activities	\$ 433,701	\$ 91,756	\$ 280,007	\$ 245,450	\$ -
<b>Business-type activities:</b>					
General obligation debt	\$ 1,723,500	\$ -	\$ 54,000	\$ 1,669,500	\$ 56,500
Installment purchase	55,045	-	13,081	41,964	13,524
Revenue Bond Anticipation Notes	1,746,000	-	1,746,000	-	-
Revenue Bonds	-	1,746,000	29,000	1,717,000	28,000
Compensated absences	14,659	-	2,355	12,304	-
Net Pension Liability (LGRS)	38,415	43,155	-	81,570	-
Total OPEB Liability	4,034	444	-	4,478	-
Total business-type activities	\$ 3,581,653	\$1,789,599	\$ 1,844,436	\$ 3,526,816	\$ 98,024

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2019

**II. DETAIL NOTES ON ALL FUNDS (Continued)****C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2019, consists of the following:

From the Water Fund to the Water and Sewer Capital Reserve Fund	\$	25,598
From the Sewer Fund to the Water and Sewer Capital Reserve Fund		23,963
From the Water Fund to the Water Fund Project		34,331
From the Water Fund to the Sewer Fund		132,546
From the Water and Sewer Capital Reserve Fund to the Water Fund		123,534
From the Water and Sewer Capital Reserve Fund to the Sewer Fund		154,863
Total	\$	<u>494,835</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**D. Net Investments in Capital Assets**

	Governmental	Business Type
Capital Assets	\$ 2,211,479	\$ 12,366,454
Less: Long-term Debt	-	3,428,464
Add: Unexpected debt proceeds	-	1,926
Net Investment in Capital Assets	\$ 2,211,479	\$ 8,939,916

**E. Fund Balance**

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

<i>Total fund balance – General Fund</i>	\$	2,020,849
Less:		
Stabilization by State Statute		160,864
Streets – Powell Bill		121,630
Appropriated Fund Balance in 2019-2020 budget		-
Remaining Fund Balance		1,738,355

The Town of Chadbourn has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

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

Encumbrances	General Fund	Non-Major Funds
\$ -	\$ -	\$ -

**III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**IV. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 8, 2019, which is the date the financial statements were available to be issued.

**V. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for sanitation activities by \$34,209. This occurred because of unplanned expenditures in this department. Management and the Board will more closely review the budget reports to ensure compliance in future years.



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina



*Required Supplementary*

*Financial Data*

---

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Six Fiscal Years\*

<b>Local Government Employees' Retirement System</b>						
	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01002%	0.00780%	0.00923%	0.01017%	0.01044%	0.01230%
Town's proportion of the net pension liability (asset) (\$)	\$ 237,709	\$ 119,162	\$ 195,891	\$ 45,642	\$ (61,569)	\$ 148,262
Town's covered-employee payroll	\$ 624,288	\$ 507,700	\$ 559,587	\$ 592,943	\$ 640,362	\$ 659,947
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.08%	23.47%	35.01%	7.70%	(9.61%)	22.47%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF CHADBOURN, NORTH CAROLINA**

Town's Contributions

Required Supplementary Information

Last Six Fiscal Years

---

**Local Government Employees' Retirement System**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 44,612	\$ 48,763	\$ 38,563	\$ 38,549	\$ 42,805	\$ 45,946
Contributions in relation to the contractually required contribution	44,612	48,763	38,563	38,549	42,805	45,946
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$552,915	\$624,288	\$507,700	\$559,587	\$592,943	\$640,362
Contributions as a percentage of covered-employee payroll	8.07%	7.81%	7.60%	6.89%	7.22%	7.18%

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Schedule of Changes in Total Pension Liability

June 30, 2019

---

**Law Enforcement Officers' Special Separation Allowance**

	2019	2018	2017
<b>Beginning balance</b>	\$ 47,286	\$ 58,397	\$ 51,151
Service cost	6,897	5,339	7,351
Interest on the total pension liability	1,494	2,254	1,826
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	7,421	(22,894)	-
Changes of assumptions or other inputs	(4,028)	4,190	(1,931)
Benefit payments	-	-	-
Other changes	-	-	-
<b>Ending balance of the total pension liability</b>	<u>\$ 59,070</u>	<u>\$ 47,286</u>	<u>\$ 58,397</u>

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

**TOWN OF CHADBURN, NORTH CAROLINA**

## Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2019

---

**Law Enforcement Officers' Special Separation Allowance**

	2019	2018	2017
Total pension liability	\$ 59,070	\$ 47,286	\$ 58,397
Covered payroll	259,856	258,163	332,180
Total pension liability as a percentage of covered payroll	<u>22.73%</u>	<u>18.32%</u>	<u>17.58%</u>

Notes to the schedules:

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



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Schedule of Changes in the Total OPEB Liability and Related Ratios

June 30, 2019

<b>Total OPEB Liability</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 1,511	\$ 1,612
Interest	389	306
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(1)
Changes of assumptions	(712)	(1,183)
Benefit payments	-	-
<b>Net changes in Total OPEB Liability</b>	<b>1,188</b>	<b>734</b>
<b>Total OPEB Liability - Beginning</b>	<b>10,915</b>	<b>10,181</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 12,103</b>	<b>\$ 10,915</b>
<b>Covered Payroll</b>	<b>\$ 399,242</b>	<b>\$ 399,242</b>
<b>Total OPEB Liability as a percentage of covered payroll</b>	<b>3.03%</b>	<b>2.73%</b>

**Notes to Schedule**

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

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



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina



*Major Governmental Funds*

*General Fund*

---

**TOWN OF CHADBOURN, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 479,986	
Penalties and Interest		52,958	
<b>Total Ad Valorem Taxes</b>	\$ 476,225	532,944	\$ 56,719
<b>Other Taxes and Licenses</b>			
Privilege Licenses		450	
<b>Total Other Taxes and Licenses</b>	800	450	(350)
<b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		429,942	
Utility Sales Tax		116,888	
Beer and Wine Tax		7,669	
ABC Profit Distributions		-	
<b>Total Unrestricted Intergovernmental</b>	524,000	554,499	30,499
<b>Restricted Intergovernmental</b>			
Powell Bill Allocation		61,150	
Grants		139,536	
ABC Revenue for Law Enforcement		3,000	
Solid Waste Disposal Tax		1,251	
<b>Total Restricted Intergovernmental</b>	497,086	204,937	(292,149)
<b>Permits and Fees</b>			
Inspection Fees		4,775	
Zoning Permits		2,175	
<b>Total Permits and Fees</b>	4,200	6,950	2,750
<b>Sales and Services</b>			
Recreation Fees		983	
Solid Waste		273,460	
<b>Total Sales and Services</b>	270,000	274,443	4,443
<b>Investment Earnings</b>			
General		43,064	
Powell Bill		2,423	
<b>Total Investment Earnings</b>	13,900	45,487	31,587
<b>Miscellaneous</b>			
Sale of Assets		39,670	
Other		91,783	
<b>Total Miscellaneous</b>	94,881	131,453	36,572
<b>Total Revenues</b>	<b>1,881,092</b>	<b>1,751,163</b>	<b>(129,929)</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		\$ 16,148	
Other Expenditures		28,013	
<b>Total Governing Body</b>	\$ 54,093	44,161	\$ 9,932
<b>Administration</b>			
Salaries and Employee Benefits		117,111	
Other Expenditures		78,286	
Debt Service			
Principal		255,007	
Interest		10,839	
<b>Total Administration</b>	893,790	461,243	432,547
<b>Civic Center</b>			
Other Expenditures		5,731	
<b>Total Civic Center</b>	7,900	5,731	2,169
<b>Public Buildings</b>			
Other Expenditures		84,846	
<b>Total Public Buildings</b>	124,484	84,846	39,638
<b>Police</b>			
Salaries and Employee Benefits		366,927	
Other Expenditures		100,652	
Capital Outlays		24,726	
Debt Service			
Principal		25,000	
Interest		441	
<b>Total Police</b>	612,614	517,746	94,868
<b>Inspections</b>			
Other Expenditures		23,628	
<b>Total Inspections</b>	48,000	23,628	24,372
<b>Fire</b>			
Salaries and Employee Benefits		9,492	
Other Expenditures		27,000	
<b>Total Fire</b>	39,500	36,492	3,008
<b>Street Department</b>			
Salaries and Employee Benefits		22	
Other Expenditures		38,620	
Capital Outlays		-	
<b>Total Street Department</b>	71,628	38,642	32,986

**TOWN OF CHADBOURN, NORTH CAROLINA**

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

## Budget and Actual

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Powell Bill</b>			
Salaries and Employee Benefits		\$ 12,451	
Other Expenditures		70,135	
Capital Outlay		-	
<b>Total Powell Bill</b>	<b>\$ 112,730</b>	<b>82,586</b>	<b>\$ 30,144</b>
<b>Sanitation</b>			
Other Expenditures		236,209	
<b>Total Sanitation</b>	<b>202,000</b>	<b>236,209</b>	<b>(34,209)</b>
<b>Recreation</b>			
Salaries and Employee Benefits		-	
Other Expenditures		6,809	
<b>Total Recreation</b>	<b>22,975</b>	<b>6,809</b>	<b>16,166</b>
<b>Contingency</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>2,189,714</b>	<b>1,538,093</b>	<b>651,621</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(308,622)</b>	<b>213,070</b>	<b>521,692</b>
<b>Other Financing Sources (Uses)</b>			
Installment Purchase Obligation Issued	-	-	-
Transfers In	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance Appropriated</b>	<b>308,622</b>	<b>-</b>	<b>(308,622)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 213,070</b>	<b>\$ 213,070</b>
<b>Fund Balance - Beginning of Year</b>		<b>1,807,779</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 2,020,849</b>	

## *Enterprise Funds*

---

**TOWN OF CHADBOURN, NORTH CAROLINA**

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Operating Revenues</b>			
Water Charges		\$ 410,760	
Taps and Reconnect Fees		4,143	
Reserve Assessments		25,508	
<b>Total Operating Revenues</b>	<b>\$ 437,215</b>	<b>440,411</b>	<b>\$ 3,196</b>
<b>Nonoperating Revenues</b>			
Investment Earnings		13,421	
Grant Revenues		33,010	
Miscellaneous		10,200	
<b>Total Nonoperating Revenues</b>	<b>41,237</b>	<b>56,631</b>	<b>15,394</b>
<b>Total Revenues</b>	<b>478,452</b>	<b>497,042</b>	<b>18,590</b>
<b>Expenditures</b>			
<b>Water Operations</b>			
Salaries and Employee Benefits		230,938	
Other Expenditures		114,955	
Capital Outlay		-	
Debt Service			
Principal		22,081	
Interest		14,574	
<b>Total Water Operations</b>	<b>450,161</b>	<b>382,548</b>	<b>67,613</b>
<b>Contingency</b>	<b>3,291</b>	<b>-</b>	<b>3,291</b>
<b>Total Expenditures</b>	<b>453,452</b>	<b>382,548</b>	<b>70,904</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>25,000</b>	<b>114,494</b>	<b>89,494</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Water Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	\$ -	\$ -	\$ -
Capital Lease Obligations Issued	-	-	-
Transfers In:			
Sewer Fund	-	-	-
Water and Sewer Capital Reserve Fund	-	123,534	123,534
Transfers Out:			
Sewer Fund	-	(132,546)	(132,546)
Water Fund - USDA Project		(34,331)	(34,331)
Water and Sewer Capital Reserve Fund	(25,000)	(25,598)	(598)
<b>Total Other Financing Sources (Uses)</b>	<b>(25,000)</b>	<b>(68,941)</b>	<b>(43,941)</b>
<b>Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 45,553</b>	<b>\$ 45,553</b>

---

**TOWN OF CHADBOURN, NORTH CAROLINA**

Water Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<hr/>			
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		\$ 45,553	
Reconciling Items:			
Depreciation Expense		(176,838)	
Capital Outlay		-	
Principal Retirement		22,081	
Increase(Decrease) in Deferred Outflows of Resources - Pensions		31,113	
(Increase)Decrease in Net Pension Liability		(40,063)	
(Increase)Decrease in OPEB Liability		(335)	
(Increase)Decrease in Interest Payable		3,516	
(Increase)Decrease in Deferred Inflows of Resources - Pensions		1,885	
(Increase)Decrease in Deferred Inflows of Resources - OPEB		(148)	
(Increase)Decrease in Compensated Absences Payable		(5,422)	
Capital Contributions		377,000	
Transfers - Water and Sewer Capital Reserve Fund		(228,836)	
Transfers - USDA Water Project		34,331	
Total Reconciling Items		18,284	
Change in Net Position		\$ 63,837	



**TOWN OF CHADBOURN, NORTH CAROLINA**

Water and Sewer Capital Reserve Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
Water Fund	-	25,598	25,598
Sewer Fund	-	23,963	23,963
Transfers out:			
Water Fund	-	(123,534)	(123,534)
Sewer Fund	-	(154,863)	(154,863)
<b>Total Other Financing Sources (Uses)</b>	-	(228,836)	(228,836)
<b>Appropriated Fund Balance</b>	-	-	-
<b>Revenues Over Other Financing Sources (Uses)</b>	\$ -	\$ (228,836)	\$ (228,836)

**TOWN OF CHADBOURN, NORTH CAROLINA**

USDA Water Project

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2019

	<b>Actual</b>		<b>Totals</b>	<b>Variance</b>
	<b>Project</b>	<b>Prior</b>	<b>Current</b>	<b>to</b>
	<b>Authorization</b>	<b>Years</b>	<b>Year</b>	<b>Date</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
USDA Grant	\$ 377,000	\$ -	\$ 377,000	\$ 377,000
Interest	-	18	-	18
<b>Total Revenues</b>	<b>377,000</b>	<b>18</b>	<b>377,000</b>	<b>377,018</b>
<b>Expenditures</b>				
Water Expansion				
Construction	1,000,000	611,995	381,963	993,958
Interest	-	-	20,964	20,964
<b>Total Expenditures</b>	<b>1,000,000</b>	<b>611,995</b>	<b>402,927</b>	<b>1,014,922</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(623,000)</b>	<b>(611,977)</b>	<b>(25,927)</b>	<b>(637,904)</b>
<b>Other Financing Sources</b>				
Installment Loan Proceeds	596,000	596,000	-	596,000
Transfers In:				
Water Fund	27,000	-	34,331	34,331
Transfers Out:				
Water Fund	-	-	-	-
<b>Total Other Financing Sources</b>	<b>623,000</b>	<b>596,000</b>	<b>34,331</b>	<b>630,331</b>
<b>Revenues and Other Financing</b>				
<b>Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (15,977)</b>	<b>\$ 8,404</b>	<b>\$ (7,573)</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Operating Revenues</b>			
Sewer Charges		\$ 436,978	
Tap Fees		900	
<b>Total Operating Revenues</b>	<b>\$ 477,985</b>	<b>437,878</b>	<b>\$ (40,107)</b>
<b>Nonoperating Revenues</b>			
Investment Earnings		15,042	
Grant Revenue		53,625	
Miscellaneous Income		2,278	
<b>Total Nonoperating Revenues</b>	<b>55,625</b>	<b>70,945</b>	<b>15,320</b>
<b>Total Revenues</b>	<b>533,610</b>	<b>508,823</b>	<b>(24,787)</b>
<b>Expenditures</b>			
<b>Sewer Operations</b>			
Salaries and Employee Benefits		43,877	
Other Expenditures		87,747	
Capital Outlay		-	
Debt Service			
Principal		54,000	
Interest		77,558	
<b>Total Sewer Operations</b>	<b>295,835</b>	<b>263,182</b>	<b>32,653</b>
<b>Wastewater Treatment</b>			
Salaries and Employee Benefits		-	
Other Expenditures		156,613	
Debt Service			
Principal		20,000	
Interest		18,947	
<b>Total Wastewater Treatment</b>	<b>212,775</b>	<b>195,560</b>	<b>17,215</b>
<b>Contingency</b>		-	-
<b>Total Expenditures</b>	<b>508,610</b>	<b>458,742</b>	<b>49,868</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>25,000</b>	<b>50,081</b>	<b>25,081</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	-	-	-
Transfers In:			
Sewer Fund	-	132,546	132,546
Water and Sewer Capital Reserve Fund	-	154,863	154,863
Transfers Out:			
Water and Sewer Capital Reserve Fund	(25,000)	(23,963)	1,037
<b>Total Other Financing Sources (Uses)</b>	<b>(25,000)</b>	<b>263,446</b>	<b>288,446</b>
<b>Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 313,527</b>	<b>\$ 313,527</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		<u>\$ 313,527</u>	
Reconciling Items:			
Depreciation Expense		(88,949)	
Capital Outlay		-	
Principal Retirement		74,000	
(Increase)Decrease in Interest Payable		397	
(Increase)Decrease in Compensated Absences Payable		7,777	
(Increase)Decrease in OPEB Liability		(109)	
(Increase)Decrease in Deferred Outflows of Resources - Pensions		2,140	
(Increase)Decrease in Net Pension Liability		(3,092)	
(Increase)Decrease in Deferred Inflows of Resources - Pensions		848	
(Increase)Decrease in Deferred Inflows of Resources - OPEB		(48)	
Interest Income - USDA Sewer Project		-	
Transfer In - USDA Sewer Project		-	
Capital Contributions - USDA Sewer Project		308,276	
Total Reconciling Items		<u>301,240</u>	
<b>Change in Net Position</b>		<u><u>\$ 614,767</u></u>	

**TOWN OF CHADBOURN, NORTH CAROLINA**

USDA Sewer Project

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2019

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Totals to Date</b>	<b>Variance Positive Positive (Negative)</b>
<b>Revenues</b>					
USDA Grant	\$ 2,651,000	\$ 2,318,734	\$ 308,276	\$ 2,627,010	\$ (23,990)
Interest	-	26	-	26	26
<b>Total Revenues</b>	<u>2,651,000</u>	<u>2,318,760</u>	<u>308,276</u>	<u>2,627,036</u>	<u>(23,964)</u>
<b>Expenditures</b>					
Sewer Expansion					
Construction	3,815,000	3,431,931	163,078	3,595,009	219,991
Interest	-	-	40,451	40,451	(40,451)
<b>Total Expenditures</b>	<u>3,815,000</u>	<u>3,431,931</u>	<u>203,529</u>	<u>3,635,460</u>	<u>179,540</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(1,164,000)</u>	<u>(1,113,171)</u>	<u>104,747</u>	<u>(1,008,424)</u>	<u>155,576</u>
<b>Other Financing Sources</b>					
Installment Loan Proceeds	1,150,000	1,150,000	-	1,150,000	-
Transfers In:					
Sewer Fund	14,000	-	-	-	(14,000)
Transfers Out:					
Sewer Fund	-	(139,650)	-	(139,650)	(139,650)
<b>Total Other Financing Sources</b>	<u>1,164,000</u>	<u>1,010,350</u>	<u>-</u>	<u>1,010,350</u>	<u>(153,650)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ (102,821)</u>	<u>\$ 104,747</u>	<u>\$ 1,926</u>	<u>\$ 1,926</u>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Operating Revenues</b>			
Stormwater Fees		\$ 31,343	
<b>Total Operating Revenues</b>	31,000	31,343	\$ 343
<b>Nonoperating Revenues</b>			
Investment Earnings		-	
Grant Revenue		75,100	
Miscellaneous		-	
<b>Total Nonoperating Revenues</b>	75,100	75,100	-
<b>Total Revenues</b>	106,100	106,443	343
<b>Expenditures</b>			
<b>Stormwater</b>			
Other Expenditures		75,337	
Capital Outlay		-	
<b>Total Water Operations</b>	106,100	75,337	30,763
<b>Total Expenditures</b>	106,100	75,337	30,763
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ -	\$ 31,106	\$ 31,106

**TOWN OF CHADBOURN, NORTH CAROLINA**

Stormwater Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<hr/>			
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		<u>\$ 31,106</u>	
Reconciling Items:			
Depreciation Expense		(2,526)	
Capital Outlay		<u>-</u>	
Total Reconciling Items		<u>(2,526)</u>	
<b>Change in Net Position</b>		<u><u>\$ 28,580</u></u>	



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina



## *Other Schedules*

---

**TOWN OF CHADBOURN, NORTH CAROLINA**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

<b>Fiscal Year</b>	<b>Uncollected Balance 7-1-18</b>	<b>Additions and Adjustments</b>	<b>Collections and Credits</b>	<b>Uncollected Balance 6-30-19</b>
2018-19	\$ -	\$ 495,466	\$ 434,445	\$ 61,021
2017-18	30,974	-	22,445	8,529
2016-17	14,720	-	9,807	4,913
2015-16	10,373	-	6,698	3,675
2014-15	10,696	-	3,149	7,547
2013-14	8,340	-	325	8,015
2012-13	8,656	-	102	8,554
2011-12	7,302	-	363	6,939
2010-11	7,203	-	1,418	5,785
2009-10	2,278	-	143	2,135
2008-09	1,887	-	1,887	-
	<u>\$ 102,429</u>	<u>\$ 495,466</u>	<u>\$ 480,782</u>	117,113

Less: Allowance for Uncollectible Accounts:

General Fund

12,000

Ad Valorem Taxes Receivable - Net

\$ 105,113Reconciliation with Revenues

Ad Valorem Taxes - General Fund

\$ 532,944

Reconciling Items:

Interest and Penalties Collected

(52,958)

Taxes Released

(1,091)

Taxes Written Off

1,887

Total Collections and Credits

\$ 480,782

**TOWN OF CHADBOURN, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2019

	Town-Wide		Total Levy	
	Property Valuation	Rate Per \$100	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>				
Property Taxed at				
Current Year's Rate	\$ 79,702,458	0.620	\$ 494,155	\$ 432,611
Penalties	-		1,311	1,311
	<u>79,702,458</u>		<u>495,466</u>	<u>433,922</u>
<b>Discoveries:</b>				
Current Year Taxes	-	0.620	-	-
Penalties	-		-	-
	<u>-</u>		<u>-</u>	<u>-</u>
<b>Abatements:</b>				
Property Taxes -				
Current Year's Rate	-	0.620	-	-
	<u>-</u>		<u>-</u>	<u>-</u>
<b>Total Property Valuations</b>	<u><u>\$ 79,702,458</u></u>			
<b>Net Levy</b>			495,466	433,922
<b>Uncollected Taxes at June 30, 2019</b>			61,021	61,021
<b>Current Year's Taxes Collected</b>			<u><u>\$ 434,445</u></u>	<u><u>\$ 372,901</u></u>
<b>Current Levy Collection Percentage</b>			<u><u>87.68%</u></u>	<u><u>85.94%</u></u>
			<u><u>100.00%</u></u>	



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina

## *Compliance Section*

---

---

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Chadbourn, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Town of Chadbourn's basic financial statements, and have issued our report thereon dated November 8, 2019. The financial statements of the West Columbus ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2019-001]

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Chadbourn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2019-001].

## **Town of Chadbourn's Response to Findings**

The Town of Chadbourn's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*W Greene PLLC*

Whiteville, North Carolina  
November 8, 2019

---

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

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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



### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

Management of Town of Chadbourne is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Chadbourne's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

***W Greene PLLC***

Whiteville, North Carolina  
November 8, 2019

**TOWN OF CHADBOURN, NORTH CAROLINA**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

**SECTION I. SUMMARY OF AUDITOR'S RESULTS****Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(s)

  X   Yes    \_\_\_\_\_ None  
Reported

Noncompliance material to financial statements noted?

  X   Yes    \_\_\_\_\_ No

**TOWN OF CHADBOURN, NORTH CAROLINA**

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2019

**SECTION I. SUMMARY OF AUDITOR'S RESULTS****Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   NoSignificant deficiency(s) identified \_\_\_\_\_ Yes      X   None Reported

Type of auditor's report issued on compliance for major federal programs:    Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs    \$    750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2019

---

<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
---

***Finding: 2019-001***

**MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY**

Criteria:

G.S. 159-8(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition:

Town of Chadbourn expended \$34,209 more for sanitation than appropriated in the annual budget ordinance.

Effect:

Moneys were spent that had not been obligated and appropriated.

Cause:

Budget amendments were not adopted.

Recommendation:

Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2019

---

<b>SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>
---

*None Reported.*



# Town Of Chadbourn

*"The Strawberry Capital"*

602 NORTH BROWN STREET • CHADBOURN, NORTH CAROLINA 28431  
TELEPHONE: (910)654-4148

## Corrective Action Plan For the Fiscal Year Ended June 30, 2019

---

### SECTION II. FINANCIAL STATEMENT FINDINGS

***Finding: 2019-001***

**Name of contact person:** Pat Garrell, Finance Officer

**Corrective action:** Budget-to-Actual reports prepared by the Finance Officer will be reviewed at each monthly meeting. Budget amendments will be made as necessary.

**Proposed completion date:** Immediately

---

### SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

***None Reported***

**TOWN OF CHADBOURN, NORTH CAROLINA**

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

---

***None Reported.***

# TOWN OF CHADBOURN, NORTH CAROLINA

## Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
<b>Federal Grants:</b>						
<u>U.S. Department of Agriculture</u>						
Direct Program						
Water and Waste Disposal Systems for Rural Communities - Water Project	10.760	-	\$ 398,874	\$ -	\$ -	\$ -
Water and Waste Disposal Systems for Rural Communities - Sewer Project	10.760	-	308,276	-	-	-
Total U.S. Department of Agriculture			707,150	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed-through NC Department of Public Safety Disaster Grants - Public Assistance	97.036		56,877	18,959		
Total Assistance - Federal Programs			764,027	18,959	-	-
<b>State Grants:</b>						
<u>N.C. Department of Transportation</u>						
Non-State System Street-Aid Allocation (Powell Bill)	-	DOT-4	-	82,997	-	-
<u>N.C. Department of Commerce</u>						
Rural Center Grant - Downtown Revitalization				55,000		
<u>N.C. Department of Public Safety</u>						
North Carolina Office of Recovery and Resiliency Grant				8,700		
<u>Golden Leaf Foundation</u>						
Hurricane Matthew Disaster Recovery Grant				75,100		
Total Assistance - State Programs			-	221,797	-	-
Total Assistance			\$ 764,027	\$ 240,756	\$ -	\$ -



**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2019

---

**I. BASIS OF PRESENTATION**

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

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Town of Chadbourn, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**III. LOANS OUTSTANDING**

Town of Chadbourn, North Carolina had the following loan balances outstanding at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balances of loans outstanding at June 30, 2019 consist of:

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Water and Waste Disposal Systems for Rural Communities – Water Project	10.760	-	\$ 587,000
Water and Waste Disposal Systems for Rural Communities – Sewer Project	10.760	-	\$ 1,130,000



# *The* North Carolina Strawberry Festival

Chadbourn, North Carolina