
Town of Cofield

Cofield, North Carolina

Audit Report

June 30, 2019

TOWN OF COFIELD

COFIELD, NORTH CAROLINA

TOWN OFFICIALS

Mayor

June Wynn

Town Commissioners

Rhonda Taylor

Hermea Pugh Jr.

Stephen Lassiter

Dacia Sutton

Charleen Harrell

Town Clerk

Penny Turner

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June 30, 2019

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on the audit. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

2313 EXECUTIVE CIRCLE, SUITE B • GREENVILLE, NC 27834 • (252) 561-8292 • FAX (888) 850-0782
www.lecarpentercpa.com • info@lecarpentercpa.com

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, each major fund, and the aggregate remaining fund information of Town of Cofield, 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 of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 43 and 44. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general 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 Cofield, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement 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 individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020 on our consideration of the Town of Cofield'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 of that 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 Cofield's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, NC
June 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Cofield, we offer readers of the Town of Cofield's financial statements this narrative overview and analysis of the financial activities of the Town of Cofield 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

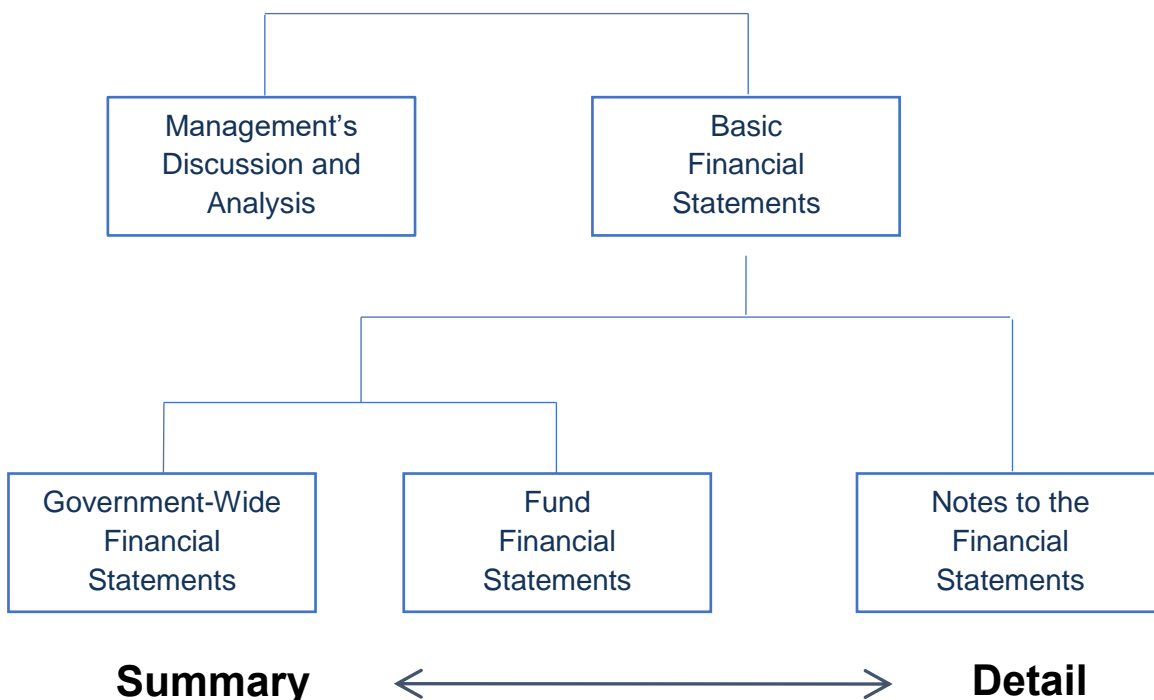
- The assets and deferred outflows of resources of the Town of Cofield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,069,891 (*net position*).
- The government's total net position increased by \$68,612 primarily due to a increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Cofield's governmental funds reported combined ending fund balances of \$1,340,137 with a net decrease of \$101,085 in fund balance. Approximately 82.39% percent of this total amount, or \$1,104,192, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,104,192 or 247.88% percent of total general fund expenditures for the fiscal year.
- At end of the current fiscal year, the Town had Restricted Reserves of \$65,191.
- The town's total debt decreased by \$16,000.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

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

The next statements (Exhibits A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide financial statements

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

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

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

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

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cofield, 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 Cofield 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 that 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 Cofield 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 Town Council; 2) the final budget as amended by the Town Council; 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 Cofield utilizes one type of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Cofield uses enterprise funds to account for its water and sewer operations. These funds are the same as

those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 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 Cofield's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 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 government and other holders of publicly held U.S. Treasury Securities.

Town of Cofield's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,369,414	\$ 1,484,856	\$ 335,645	\$ 208,973	\$ 1,705,059	\$ 1,693,829
Pension assets						
Capital assets	986,964	898,623	2,052,245	2,094,587	3,039,209	2,993,210
Deferred outflows of resources	17,950	12,565	-	-	17,950	12,565
Total assets and deferred outflows of resources	2,374,328	2,396,044	2,387,890	2,303,560	4,762,218	4,699,604
Current liabilities	14,399	30,016	42,344	18,182	56,743	48,198
Noncurrent liabilities	8,540	5,958	627,000	644,000	635,540	649,958
Deferred inflows of resources	44	169	-	-	44	169
Total liabilities and deferred inflow of resources	22,983	36,143	669,344	662,182	692,327	698,325
Net investment in capital assets	986,964	898,623	1,408,245	1,434,587	2,395,209	2,333,210
Restricted	235,945	321,119	-	-	235,945	321,119
Unrestricted	1,128,436	1,140,159	310,301	206,791	1,438,737	1,346,950
Total net position	\$ 2,351,345	\$ 2,359,901	\$ 1,718,546	\$ 1,641,378	\$ 4,069,891	\$ 4,001,279

Management's Discussion and Analysis
Town of Cofield

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Cofield exceeded liabilities by \$4,069,891 as of June 30, 2019. The Town's net position increased by \$68,612 for the fiscal year ended June 30, 2019. However, the largest portion, \$2,395,209 or 58.85%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Cofield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Cofield's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Cofield's net position, \$235,945 or 5.80% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,438,737 or 35.35% is unrestricted.

Town of Cofield's Change in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 31,228	\$ 29,805	\$ 254,286	\$ 248,624	\$ 285,514	\$ 278,429
Operating grants and contributions	13,055	14,971	-	-	13,055	14,971
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	154,176	147,907	-	-	154,176	147,907
Other taxes	130,202	129,361	-	-	130,202	129,361
Unrestricted intergovernmental	-	-	-	-	-	-
Investment earnings	2,361	2,951	162	111	2,523	3,062
Other	8,443	2,250	72,251	-	80,694	2,250
Total revenues	<u>339,465</u>	<u>327,245</u>	<u>326,699</u>	<u>248,735</u>	<u>666,164</u>	<u>575,980</u>
Expenses:						
General government	224,201	164,451	-	-	224,201	164,451
Public safety	9,547	9,438	-	-	9,547	9,438
Transportation	47,964	42,049	-	-	47,964	42,049
Economic and physical development	-	-	-	-	-	-
Environmental protection	39,558	25,560	-	-	39,558	25,560
Culture and recreation	32,914	25,080	-	-	32,914	25,080
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	243,368	228,506	243,368	228,506
Total expenses	<u>354,184</u>	<u>266,578</u>	<u>243,368</u>	<u>228,506</u>	<u>597,552</u>	<u>495,084</u>
Increase (decrease) in Net Position before transfers	(14,719)	60,667	83,331	20,229	68,612	80,896
Transfers	6,163	-	(6,163)	-	-	-
Increase (decrease) in Net Position	(8,556)	60,667	77,168	20,229	68,612	80,896
Net Position, July 1	2,359,901	2,299,234	1,641,378	1,621,149	4,001,279	3,920,383
Net Position, June 30	<u>\$2,351,345</u>	<u>\$2,359,901</u>	<u>\$1,718,546</u>	<u>\$1,641,378</u>	<u>\$4,069,891</u>	<u>\$4,001,279</u>

Governmental activities: Governmental activities decreased the Town net position by \$8,556.

Business-type activities: Business-type activities increased the Town of Cofield's net position by \$77,168, accounting for all of the total increase in the government's net position.

Proprietary Funds. The Town of Cofield's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$310,301. The total increase in net position was \$77,168.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Cofield. At the end of the current fiscal year, the Town of Cofield's fund balance available in the General Fund was \$1,104,192 while total fund balance reached \$1,340,137. The Town currently has an available fund balance of 247.88% of general fund expenditures, while total fund balance represents 300.85% of the same amount.

At June 30, 2019, the governmental funds of the Town of Cofield reported a combined fund balance of \$1,340,137 with a net decrease in fund balance of \$101,085.

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.

Capital Asset and Debt Administration

Capital assets. The Town of Cofield's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totaled \$3,039,209 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment.

Town of Cofield's Capital Assets (Net of Accumulated Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 336,116	\$ 336,116	\$ 8,050	\$ 8,050	\$ 344,166	\$ 344,166
Construction in progress	-	-	-	-	-	-
Buildings & systems	516,601	536,269	2,044,195	2,086,537	2,560,796	2,622,806
Equipment	100,446	7,308	-	-	100,446	7,308
Vehicles	-	348	-	-	-	348
Improvements	33,801	18,582	-	-	33,801	18,582
Capital assets, net	<u>\$ 986,964</u>	<u>\$ 898,623</u>	<u>\$ 2,052,245</u>	<u>\$ 2,094,587</u>	<u>\$ 3,039,209</u>	<u>\$ 2,993,210</u>

Long-term Debt. As of June 30, 2019, the Town had a total debt outstanding of \$644,000. The Town's total debt decreased by \$16,000 due to the annual payment on principal.

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 the Town of Cofield is \$2,613,554.

**Town of Cofield
General Obligations and Loans**

Figure 5

	Business-Type Activities	
	2019	2018
General obligation bonds	\$ 128,000	\$ 135,000
Revenue Bond	516,000	525,000
Total	<u>\$ 644,000</u>	<u>\$ 660,000</u>

Economic Factors and Next Year's Budget and Rates

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

- The Town currently does not have any major industry.
- The Town of Cofield has a population of 407 citizens, most of which work within education and health care industries.
- The majority of retired citizens receive their sole income through social security benefits.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town's ad valorem rate will remain stable for the fiscal year ending June 30, 2020.

Budget expenditures in the General Fund are expected to increase by approximately 4.5%.

Business-type Activities: Water and sewer revenues are expected to increase approximately 2% in accordance with the new rate structure adopted. Expenses are expected to remain stable during the upcoming year.

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to

**Town Clerk
Town of Cofield
P. O. Box 145
Cofield, North Carolina 27817**

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Cofield, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,113,840	\$ 369,884	\$ 1,483,724
Taxes receivable, net	14,878	--	14,878
Accounts receivable, net	23,293	24,055	47,348
Restricted cash and cash equivalents	126,247	--	126,247
Investments	32,862	--	32,862
Internal Balances	58,294	(58,294)	--
Total Current Assets	1,369,414	335,645	1,705,059
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	336,116	8,050	344,166
Other capital assets, net of depreciation	650,848	2,044,195	2,695,043
Total Assets	2,356,378	2,387,890	4,744,268
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	17,950	--	17,950
Total Deferred Outflows of Resources	17,950	--	17,950
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	14,399	5,882	20,281
Accrued interest payable	--	19,462	19,462
Current portion of long-term debt	--	17,000	17,000
Total Current Liabilities	14,399	42,344	56,743
<i>Noncurrent Liabilities</i>			
Due in more than one year	--	627,000	627,000
Net pension liability	8,540	--	8,540
Total Liabilities	22,939	669,344	692,283
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	44	--	44
Total Deferred Inflows of Resources	44	--	44
NET POSITION			
Net investment in capital assets	986,964	1,408,245	2,395,209
<i>Restricted for:</i>			
Stabilization by State Statute	23,293	--	23,293
Streets	65,191	--	65,191
Infrastructure	147,461	--	147,461
<i>Unrestricted</i>	1,128,436	310,301	1,438,737
Total Net Position	\$ 2,351,345	\$ 1,718,546	\$ 4,069,891

The accompanying notes are an integral part of this financial statement.

Exhibit A-2

Town of Cofield, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 224,201	\$ --	\$ 2,490	\$ --	\$ (221,711)	\$ --	\$ (221,711)
Public safety	9,547	--	--	--	(9,547)	--	(9,547)
Transportation	47,964	--	10,565	--	(37,399)	--	(37,399)
Environmental protection	39,558	25,528	--	--	(14,030)	--	(14,030)
Cultural and recreational	32,914	5,700	--	--	(27,214)	--	(27,214)
Total Governmental Activities	354,184	31,228	13,055	--	(309,901)	--	(309,901)
Business-type Activities:							
Water and Sewer	243,368	254,286	--	--	--	10,918	10,918
Total Business-type Activities	243,368	254,286	--	--	--	10,918	10,918
Total Primary Government	\$ 597,552	\$ 285,514	\$ 13,055	\$ --	\$ (309,901)	\$ 10,918	\$ (298,983)
General Purpose Revenues and Transfers:							
Revenues							
Ad valorem taxes					154,176	--	154,176
Unrestricted intergovernmental					129,918	--	129,918
Restricted intergovernmental					284	--	284
Proceeds from insurance settlement					--	72,251	72,251
Interest and fees					2,361	162	2,523
Miscellaneous Income					8,443	--	8,443
Transfers					6,163	(6,163)	--
Total General Revenues and Transfers					301,345	66,250	367,595
Change in Net Position					(8,556)	77,168	68,612
<i>Net Position at Beginning of Period</i>					<u>2,359,901</u>	<u>1,641,378</u>	<u>4,001,279</u>
Net Position at End of Period					\$ 2,351,345	\$ 1,718,546	\$ 4,069,891

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

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

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,113,840
Taxes receivable, net	14,878
Accounts receivable, net	23,293
Restricted cash and cash equivalents	126,247
Investments	32,862
Due from other funds	58,294
	1,369,414
Total Assets	
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
	--
Total Assets and Deferred Outflows of Resources	
	\$ 1,369,414
LIABILITIES	
Accounts payable and accrued liabilities	\$ 14,399
	14,399
Total Liabilities	
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	14,878
	14,878
Total Liabilities and Deferred Inflows of Resources	
	29,277
FUND BALANCE	
Restricted	
Stabilization by State Statute	23,293
Streets	65,191
Infrastructure	147,461
Unassigned	1,104,192
	1,340,137
Total Fund Balance	
	1,340,137
Total Liabilities, Deferred Inflows of Resources and Fund Balance	
	\$ 1,369,414

Town of Cofield, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

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

Total Fund Balance - Governmental Funds	\$ 1,340,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	986,964
Net Pension Liability	(8,540)
Deferred outflows of resources related to pensions are not reported in the funds	17,950
Deferred inflows of resources related to pensions are not reported in the funds	(44)
Earned revenues considered deferred inflows of resources in fund statements.	14,878
Total Net Position-Governmental Funds	\$ <u>2,351,345</u>

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

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 152,916
Unrestricted intergovernmental	129,918
Restricted intergovernmental	13,339
Sales and services	31,228
Miscellaneous Income	8,443
Interest and fees	2,361
Total Revenues	<u>338,205</u>
Expenditures	
General government	259,956
Public safety	9,547
Transportation	123,798
Environmental protection	39,558
Cultural and recreational	12,594
Total Expenditures	<u>445,453</u>
Excess of Revenues Over	
(Under) Expenditures	<u>(107,248)</u>
Other Financing Sources (Uses)	
Transfers from other funds	6,163
Net Other Financing Sources (Uses)	<u>6,163</u>
Net Change in Fund Balance	(101,085)
<i>Fund Balance at Beginning of Period</i>	1,441,222
Fund Balance at End of Period	<u>\$ 1,340,137</u>

The accompanying notes are an integral part of this financial statement.

Town of Cofield, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (101,085)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	88,341
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,260
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	8,032
Pension expense	(5,104)
Changes in Net Position-Governmental Funds	\$ <u>(8,556)</u>

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

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 130,300	\$ 130,300	\$ 152,916	\$ 22,616
Unrestricted intergovernmental	125,150	125,150	129,918	4,768
Restricted intergovernmental	11,880	11,880	13,339	1,459
Sales and services	38,000	38,000	31,228	(6,772)
Miscellaneous Income	3,675	3,675	8,443	4,768
Interest and fees	215	215	2,214	1,999
Total Revenues	<u>309,220</u>	<u>309,220</u>	<u>338,058</u>	<u>28,838</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>309,220</u>	<u>309,220</u>	<u>338,058</u>	<u>28,838</u>
Expenditures				
General government	345,850	345,850	259,956	85,894
Public safety	15,500	15,500	9,547	5,953
Transportation	76,600	76,600	123,798	(47,198)
Environmental protection	43,700	43,700	39,558	4,142
Cultural and recreational	18,120	18,120	12,594	5,526
Total Expenditures	<u>499,770</u>	<u>499,770</u>	<u>445,453</u>	<u>54,317</u>
Other Financing Uses				
Appropriations	(190,550)	(190,550)	--	(190,550)
Transfers to other funds	--	--	(70,041)	(70,041)
Total Expenditures and Other Financing Uses	<u>309,220</u>	<u>309,220</u>	<u>515,494</u>	<u>(206,274)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(177,436)</u>	<u>(177,436)</u>
<i>Fund Balance at Beginning of Period</i>	<u>1,370,112</u>	<u>1,370,112</u>	<u>1,370,112</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 1,370,112</u>	<u>\$ 1,370,112</u>	<u>1,192,676</u>	<u>\$ (177,436)</u>

A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:

Investment earnings	147
Transfer from other funds	76,204
Fund balance, beginning	71,110
Fund balance, ending (Exhibit A-5)	<u>\$ 1,340,137</u>

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

Town of Cofield, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds
	Water & Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 369,884
Accounts receivable, net	24,055
Total Current Assets	393,939
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	8,050
Other capital assets, net of depreciation	2,044,195
Total Assets	2,446,184
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Due to other funds	58,294
Accounts payable and accrued liabilities	5,882
Accrued interest payable	19,462
Current portion of long-term debt	17,000
Total Current Liabilities	100,638
<i>Noncurrent Liabilities</i>	
Due in more than one year	627,000
Total Liabilities	727,638
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net investment in capital assets	1,408,245
<i>Unrestricted</i>	310,301
Total Net Position	\$ 1,718,546

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

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

	Business-type Activities - Enterprise Funds
	Water & Sewer Fund
Operating Revenues	
Sales and services	\$ 251,716
Water and sewer taps	2,570
<i>Total Operating Revenues</i>	254,286
Operating Expenses	
Water administration	26,080
Water treatment and distributions	27,541
Sewage treatment	78,415
Depreciation	91,906
<i>Total Operating Expenses</i>	223,942
<i>Operating Income (Loss)</i>	30,344
Non-Operating Revenues (Expenses)	
Interest and fees	162
Proceeds from insurance settlement	72,251
Interest and other charges	(19,426)
Transfers to other funds	(6,163)
<i>Change In Net Position</i>	77,168
<i>Net Position at Beginning of Period</i>	1,641,378
<i>Net Position at End of Period</i>	\$ 1,718,546

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

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

	Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 255,878
Cash paid for goods and services	(103,361)
Cash paid to/on behalf of employees	(24,975)
Other operating revenue	72,251
Net cash provided (used) by operating activities	199,793
Cash Flows from Noncapital Financing Activities:	
Decrease in due to other funds	(24,649)
Net cash provided (used) by noncapital financing activities	(24,649)
Cash Flows from Capital and Related Financing Activities:	
Transfers to other funds	(6,163)
Acquisition of capital assets	(49,564)
Principal repaid on long-term debt	(16,000)
Interest paid on long-term debt	36
Net cash provided (used) by capital and related financing activities	(71,691)
Cash Flows from Investing Activities:	
Investment income received	162
Net increase (decrease) in cash and cash equivalents	103,615
Cash and Cash Equivalents - Beginning of Year	266,269
Cash and Cash Equivalents - End of Year	\$ 369,884
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 102,595
Depreciation	91,906
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	1,592
Increase (decrease) in accounts payable and accrued liabilities	3,700
Net cash provided (used) by operating activities	\$ 199,793

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

Notes to The Financial Statements

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Cofield 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 Cofield 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 financial information of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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.

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

The Town reports the following governmental funds:

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds).

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

The following are the Town's major governmental fund types:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund for fund financial statement reporting purposes. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidelines the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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, 2015, 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, 2015 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 Cofield because the tax is levied by Hertford County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All other amendments must be approved by the governing board.

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

1. Deposits and Investments

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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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

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.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdraws (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in the external investment pool.

3. Restricted Assets

Money in the Capital Reserve Fund is classified as restricted cash because its use is restricted to the Capital Reserve Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Governmental Activities:		
General Fund		
Streets	\$	65,191
Infrastructure		61,056
Total governmental activities	\$	126,247

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. 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.

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	30
Plants and distribution systems	40
Furniture and equipment	10
Vehicles	10
Computer Equipment	10
Improvements	20

7. 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, contributions made to the pension plan in 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 two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. 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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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 reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. *Compensated Absences*

The vacation policies of the Town do not provide for the accumulation of vacation leave or sick pay.

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. The Town does not have any nonspendable fund balances for the governmental fund types.

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 1930s 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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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

Restricted for Infrastructure — portion of fund balance that is restricted for expenditures related to upgrading the Town’s infrastructure [G.S. 159-3(2)].

Committed Fund Balance — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Cofield'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 otherwise revise the limitation.

Assigned Fund Balance — portion of fund balance that the Town of Cofield intends to use for specific purposes.

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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 Cofield 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 Local Governmental Employees’ Retirement System (LGERS) and additions to/ deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Cofield’s employer contributions are recognized when due and the Town has legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

13. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Adoption of New Financial Accounting Standards

GASB Statement No. 83, Certain Asset Retirement Obligations (“GASB 83”), requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues (“GASB 86”), seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources- resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defended in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has no effect on the Town’s financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt (“GASB 88”), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in note to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

15. Future Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities (“GASB 84”), seek to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

GASB Statement No. 87, Leases (“GASB 87”), seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a leases receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period (“GASB 89”), seeks to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 31, 2019. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Town was in violation of NC State Statute 159-34 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town failed to provide complete and timely accounting records for the year ended June 30, 2019. The Town’s annual audit was submitted late due to turnovers in key positions at the Town which cause the books not to be ready for a timely audit. The Town has retained an outside accountant to assist them with their accounting. The Town will review their procedures and policies to assure that their records be submitted in a timely manner in the future.

2. Contractual Violations

NONE

3. Deficit in Fund Balance or Net Position of Individual Funds

NONE

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

4. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made by the Town General Fund exceeded the authorized appropriations made by the transportation activities by \$47,198. These over-expenditures occurred due to emergency equipment needing to be purchased close to year end which did not allow time for a budget amendment to be made. The Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board by for capital outlay and sewage treatment by \$44,564 and \$5,665 respectively. This occurred because the Town had to make additional sewer improvements to their system. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

At June 30, 2019, the Town's deposits had a carrying amount of \$1,609,971 and a bank balance of \$1,620,853. Of the bank balance \$1,170,526 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

2. Investments

As of June 30, 2019, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Value	Less than 6 Months	6-12 Months
Government Portfolio	Fair Value- Level 1	\$ 32,862	\$ 32,862	\$ -
Total:		\$ 32,862	\$ 32,862	\$ -

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. The Town had no formal policy on managing interest rate risk.

Credit Risk The Town has no formal policy regarding credit risk.

3. Receivables — Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 4,959
Total	<u>4,959</u>
Enterprise Fund:	
Customer receivables	16,329
Total	<u>16,329</u>
Grand Total	<u>\$ 21,288</u>

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

4. Capital Assets

Primary Government

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

General Fund Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 336,116	\$ -	\$ -	\$ 336,116
Total capital assets not being depreciated	<u>336,116</u>	<u>-</u>	<u>-</u>	<u>336,116</u>
Capital assets being depreciated:				
Buildings	609,620	-	-	609,620
Equipment	121,083	96,604	-	217,687
Vehicles	85,021	-	-	85,021
Improvements	36,671	17,400	-	54,071
Total capital assets being depreciated	<u>852,395</u>	<u>114,004</u>	<u>-</u>	<u>966,399</u>
Less accumulated depreciation for:				
Buildings	73,351	19,668	-	93,019
Equipment	113,775	3,466	-	117,241
Vehicles	84,673	348	-	85,021
Improvements	18,089	2,181	-	20,270
Total accumulated depreciation	<u>289,888</u>	<u>\$ 25,663</u>	<u>\$ -</u>	<u>315,551</u>
Total capital assets being depreciated, net	<u>562,507</u>			<u>650,848</u>
Governmental activity capital assets, net	<u>\$ 898,623</u>			<u>\$ 986,964</u>

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

Governmental Activities:	
General government	\$ 3,027
Cultural and recreational	20,320
Transportation	2,316
Total	<u>\$ 25,663</u>

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

Enterprise Fund

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

Water and Sewer Fund Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 8,050	\$ -	\$ -	\$ 8,050
Total capital assets not being depreciated	<u>8,050</u>	<u>-</u>	<u>-</u>	<u>8,050</u>
Capital assets being depreciated:				
Buildings and systems	3,407,499	49,564	-	3,457,063
Total capital assets being depreciated	<u>3,407,499</u>	<u>49,564</u>	<u>-</u>	<u>3,457,063</u>
Less accumulated depreciation for:				
Buildings and systems	1,320,962	91,906	-	1,412,868
Total accumulated depreciation	<u>1,320,962</u>	<u>\$ 91,906</u>	<u>\$ -</u>	<u>1,412,868</u>
Total capital assets being depreciated, net	<u>2,086,537</u>			<u>2,044,195</u>
Business-type activity capital assets, net	<u>\$ 2,094,587</u>			<u>2,052,245</u>

B. Liabilities

1. Pension Plan Obligations

- a. Local Governmental Employees' Retirement System

Plan Description

The Town of Cofield is a participating employer in the State-wide 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, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Cofield 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 Cofield's contractually required contribution rate for the year ended June 30, 2019, was 7.75% of compensation 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 Cofield were \$8,032 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$8,540 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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

determined. At June 30, 2019, the Town's proportion was 0.00036%, which was an decrease of 0.00003% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019 the Town recognized pension expense of \$5,104. 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	\$ 1,318	\$ 44
Changes of assumptions	2,266	-
Net difference between projected and actual earnings on pension plan investments	1,173	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,161	-
Employer contributions subsequent to the measurement date	8,032	-
Total	\$ 17,950	\$ 44

\$8,032 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020 Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	4,322
2021		2,999
2022		1,325
2023		1,228
2025		-
Thereafter		-
	\$	9,874

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternative	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
Total	<u>100.00%</u>	

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

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

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (8.80 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)	\$ 20,515	\$ 8,540	\$ (1,466)

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.

2. Deferred Outflows and Inflows of Resources

The town has several inflows/outflows of resources:

Source	Amount
<i>Deferred outflows of resources is comprised of the following:</i>	
Differences between expected and actual experience	\$ 1,318
Changes of assumptions	2,266
Net difference between projected and actual earnings on pension plan investments	1,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,161
Contributions to pension plan in current fiscal year	8,032
Total	\$ 17,950

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable less penalties (General Fund)	-	14,878
Differences between expected and actual experience	44	-
Total	\$ 44	\$ 14,878

3. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,340,137
Less:	
Stabilization by State Statute	23,293
Streets-Powell Bill	65,191
Infrastructure	147,461
Appropriated Fund Balance in 2020 budget	-
Remaining Fund Balance	1,104,192

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; natural disasters; and medical and dental claims for employees, retirees, and dependents. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three years.

The Town carries commercial coverage for all other risks of loss. The Town does not carry flood insurance and the risk of flooding is minimal.

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 town officials that have access to funds are bonded under a blanket bond for \$16,000. The finance officer is individually bonded for \$50,000.

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

5. Claims, Judgements and Contingent Liabilities

At June 30, 2019, the Town had no pending lawsuits.

6. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the enterprise fund were issued for the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town.

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

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$226,000 1993 Water and Sewer serial bonds due in annual installments of \$3,000 to \$10,000 through June 1, 2033; interest not to exceed 5.12% per annum	128,000
Total General Obligation Bonds	\$ 128,000

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

Business Type Activities		
Year Ending June 30,	Principal	Interest
2020	7,000	6,560
2021	7,500	6,201
2022	8,000	5,817
2023	8,000	5,407
2024	9,000	4,997
2025-2029	48,500	17,835
2030-2033	40,000	5,125
	\$ 128,000	\$ 51,942

b. Revenue bond

Revenue Bonds

Serviced by the Water and Sewer Fund:

\$543,000 Water and Sewer Revenue Bonds, Series 2014, issued for water and sewer system improvements. Principal and interest installments are due annually on June 1, at an annual interest rate of 2.375%

\$ 516,000

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

The future payments of the revenue bond are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	10,000	12,255
2021	10,000	12,018
2022	10,000	11,780
2023	10,000	11,543
2024	11,000	11,305
2025-2029	57,000	52,583
2030-2034	63,000	45,529
2035-2039	72,000	37,620
2040-2044	80,000	28,714
2045-2049	91,000	18,715
2050-2054	102,000	7,434
	<u>\$ 516,000</u>	<u>\$ 249,494</u>

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014. Section 3.04 of the Bond Order requires the debt service coverage to ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 254,286
Operating expenses*	<u>132,036</u>
Operating income	122,250
Nonoperating revenues (expenses)**	<u>34,355</u>
Income available for debt service	<u>\$ 156,605</u>
Debt service, principal and interest	\$ 35,426
Debt service coverage ratio	442.06%

* Per rate covenants, does not include depreciation expense of \$91,906

** Per rate covenants, does not include revenue bond interest of \$12,469

c. Changes in Long-term Liabilities

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Current Maturities</u>
Governmental activities:					
Net pension liability (LGERS)	5,958	2,582	-	8,540	-
Total	<u>\$ 5,958</u>	<u>\$ 2,582</u>	<u>\$ -</u>	<u>\$ 8,540</u>	<u>\$ -</u>

Town of Cofield, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

	Beginning Balances	Additions	Retirements	Ending Balances	Current Maturities
Business-type activities:					
General obligation bonds	\$ 135,000	\$ -	\$ 7,000	\$ 128,000	\$ 7,000
Revenue bonds	525,000	-	9,000	516,000	10,000
Total	<u>\$ 660,000</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ 644,000</u>	<u>\$ 17,000</u>

NOTE IV — Interfund Balances and Activity

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

Due to the General Fund for current year expenditures paid for the Water Fund

Water and Sewer Fund	<u>\$ 58,294</u>
Total	<u>\$ 58,294</u>

During the 2019 fiscal year the Town made a one-time transfer from the Water and Sewer fund of \$6,163 to the Capital Reserve Fund for future capital needs. A portion of this transfer accounts for garbage disposal fees that were collected by the Water and Sewer Fund on behalf of the General Fund.

NOTE V —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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE VI —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 29, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Cofield, North Carolina
Proportiate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.00036%	0.00039%	0.00047%	0.00047%	0.00051%	0.00122%
Proportion of the net pension liability (asset) (\$)	\$ 8,540	\$ 5,958	\$ 9,775	\$ 2,109	\$ (3,008)	\$ 4,826
Covered-employee payroll	\$ 63,590	\$ 69,119	\$ 67,932	\$ 70,233	\$ 68,258	\$ 66,090
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	13.43%	8.62%	14.39%	3.00%	-4.41%	7.30%
Plan fiduciary net positon as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Cofield, North Carolina
Town of Cofield Contributions
Require Supplementary Information'
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 8,032	\$ 4,769	\$ 4,811	\$ 4,557	\$ 4,957	\$ 4,826
Contributions in relation to the contractually required contributions	<u>8,032</u>	<u>4,769</u>	<u>4,811</u>	<u>4,557</u>	<u>4,957</u>	<u>4,826</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	103,634	63,590	69,119	67,932	70,233	68,258
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	6.96%	6.71%	7.06%	7.07%

INDIVIDUAL FUND STATEMENTS AND SCHEDULE

Town of Cofield, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		151,859	
Interest and penalties		1,057	
Total	<u>130,300</u>	<u>152,916</u>	<u>22,616</u>
Unrestricted Intergovernmental Revenues			
Local option sales tax		69,859	
Utility franchise tax		57,570	
ABC profits		735	
Beer & wine tax		1,754	
Total	<u>125,150</u>	<u>129,918</u>	<u>4,768</u>
Restricted Intergovernmental Revenues			
Powell Bill allocation		10,565	
NC work first		2,490	
Solid waste		284	
Total	<u>11,880</u>	<u>13,339</u>	<u>1,459</u>
Sales and Services			
Rent		5,700	
Waste disposal fees		25,528	
Total	<u>38,000</u>	<u>31,228</u>	<u>(6,772)</u>

**Town of Cofield, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings			
Interest		2,214	
Total	215	2,214	1,999
Other Revenues			
Miscellaneous		8,443	
Total	3,675	8,443	4,768
Total Revenue	\$ 309,220	\$ 338,058	\$ 28,838
Expenditures			
General Government			
Governing board fees and benefits		\$ 13,305	
Total		13,305	
Administration			
Salaries and benefits		138,525	
Professional services		5,941	
Dues & subscriptions		1,426	
Telephone		4,898	
Utilities		9,476	
Insurance & bonds		15,431	
Tax collection fees		4,556	
Repairs & maintenance		220	
Supplies		10,988	
Other operating expenses		19,337	
Capital outlay		35,853	
Total		246,651	
Total General Government	345,850	259,956	85,894

Town of Cofield, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Fire protection		9,547	
Total	15,500	9,547	5,953
Transportation			
Salaries and benefits		32,985	
Street lights		12,662	
Capital outlay		78,151	
Total	76,600	123,798	(47,198)
Environmental Protection			
Collection fees		9,256	
Operating expenditures		30,302	
Total	43,700	39,558	4,142
Cultural and Recreational			
Operating expenditures		12,594	
Total	18,120	12,594	5,526
Total Expenditures	499,770	445,453	54,317
Revenue over (under) expenditures	(190,550)	(107,395)	(83,155)
Other Financing Sources (Uses)			
Transfer	-	(70,041)	(70,041)
Fund balance appropriated	(190,550)		(190,550)
Total	-	(70,041)	(260,591)
Net change in fund balance	<u>\$ -</u>	<u>(177,436)</u>	<u>\$ (177,436)</u>
Fund balance - July 1		1,370,112	
Fund balance - June 30		<u>\$ 1,192,676</u>	

Town of Cofield, North Carolina
Capital Reserve Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest		147	
Total Revenue	\$ -	\$ 147	\$ 147
Expenditures			
Infrastructure		-	
Total Expenditures	-	-	-
Revenue over (under) expenditures	-	147	(147)
Other Financing Sources (Uses)			
Transfers in	-	76,204	-
Total	-	76,204	76,204
Net change in fund balance	\$ -	76,351	\$ -
Fund balance - July 1		71,110	
Fund balance - June 30		\$ 147,461	

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenue			
Water sales	\$ -	\$ 125,986	\$ -
Sewer sales		124,027	
Connection fees		2,570	
Penalties		1,703	
Other revenue		72,251	
Investment earnings		162	
Total revenues	<u>231,060</u>	<u>326,699</u>	<u>\$ 95,639</u>
Expenditures			
Water and sewer administration			
Salaries and benefits		11,080	
Contracted Services		13,685	
Other operating expenditures		1,315	
Total water and sewer administration	<u>127,915</u>	<u>26,080</u>	<u>101,835</u>
Water treatment and distributions			
Salaries and benefits		13,895	
Repairs and maintenance		7,405	
Utilities		4,527	
Office supplies		568	
Other operating expenditures		1,146	
Total water treatment and distributions	<u>31,895</u>	<u>27,541</u>	<u>4,354</u>
Sewage treatment			
Utilities		7,409	
Repairs and maintenance		71,006	
Total sewage treatment	<u>72,750</u>	<u>78,415</u>	<u>(5,665)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt services			
Interest and other charges		19,426	
Principal retirement		16,000	
Total	<u>34,000</u>	<u>35,426</u>	<u>2,992</u>
Capital outlay			
Plant and distribution systems		49,564	
Total	<u>5,000</u>	<u>49,564</u>	<u>(44,564)</u>
 Total expenditures	 <u>271,560</u>	 <u>217,026</u>	 <u>54,534</u>
 Revenues over (under) expenditures	 <u>(40,500)</u>	 109,673	 <u>150,173</u>
Other financing sources (uses)			
Fund balance appropriated	(40,500)	-	(40,500)
Transfers to other funds		(6,163)	(6,163)
Total	<u>(40,500)</u>	<u>(6,163)</u>	<u>(46,663)</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ -</u>	 <u>\$ 103,510</u>	 <u>\$ 103,510</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		103,510	
Reconciling items:			
Principal retirement		16,000	
Capital outlay		49,564	
Depreciation		(91,906)	
Total reconciling items		<u>(26,342)</u>	
Changes in Net Position, GAAP basis		<u>\$ 77,168</u>	

OTHER SCHEDULES

Town of Cofield, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019		\$ 154,212	\$ 148,070	\$ 6,143
2017-2018	5,294	-	2,640	2,654
2016-2017	2,300	-	718	1,582
2015-2016	1,416	-	219	1,197
2014-2015	1,848	-	212	1,636
2013-2014	1,665	-	-	1,665
2012-2013	1,083	-	-	1,083
2011-2012	937	-	3	934
2010-2011	1,080	-	-	1,080
2009-2010	1,863	-	-	1,863
2008-2009	671	-	671	-
	<u>\$ 18,157</u>	<u>\$ 154,212</u>	<u>\$ 152,533</u>	<u>\$ 19,836</u>

Less: Allowance for Uncollectible Accounts 4,959

Ad Valorem Taxes Receivables, Net \$ 14,877

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 152,916
Reconciling items:	
Interest collected	(1,057)
Releases and adjustments	<u>673</u>
Total Collections and Credits	<u>\$ 152,532</u>

Town of Cofield, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	<u>\$34,269,420</u>	0.45	\$ 154,212	\$ 142,837	\$ 11,375
Net levy			154,212	142,837	11,375
Less uncollected taxes at June 30, 2019			<u>6,143</u>	<u>6,143</u>	<u>-</u>
Current year's taxes collected			<u>\$ 148,070</u>	<u>\$ 136,695</u>	<u>\$ 11,375</u>
Current levy collection percentage			<u>96.02%</u>	<u>95.70%</u>	<u>100.00%</u>

COMPLIANCE SECTION

LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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 Cofield, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cofield North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Cofield's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cofield'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 the Town of Cofield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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. We identified no material weaknesses

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. We consider these deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2019-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cofield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

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www.lecarpentercpa.com • info@lecarpentercpa.com

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed **no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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

Larry E. Carpenter, CPA, PA

Greenville, NC
June 29, 2020

Schedule of Findings and Responses for the Year Ended June 30, 2019

Section II. Financial Statement Findings

Schedule 7

Significant Deficiency

2019-01

Noncompliance with North Carolina General State Statute.

Criteria:

North Carolina G.S. 159-34(a) states that the unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition:

The Town's books were not delivered timely in accordance with state statutes. The Town did not have the books in order upon initial request by the auditor. Turnover in key positions at the Town caused the books not to be ready in order to have a timely audit.

Effect:

The Town's audit was not prepared and presented in a timely manner.

Cause:

The Town had no finance officer or personnel with necessary skills and experience to perform the Town's accounting duties and prepare the records for the auditor.

Recommendation:

The Town should retain a new finance officer or external accountant to perform the Town's accounting duties.

View of Responsible official and planned corrective actions:

The Town agrees with this finding. The Town has retained an external accountant to perform the accounting duties of the Town. The Town will continue to monitor their reporting requirements and timely completion of their audit.

Summary Schedule of Prior Audit Findings and Responses

Section II. Financial Statement Findings

Schedule 8

Significant Deficiency

2018-01 Noncompliance with North Carolina General State Statute. *Completed.*