

**TOWN OF COLUMBUS**  
**Columbus, North Carolina**

Annual Financial Report  
For the Year Ended June 30, 2019

**Prepared by the Finance Department**

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JUNE 30, 2019**

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**TOWN OF COLUMBUS, NORTH CAROLINA  
LIST OF PRINCIPAL OFFICERS**

June 30, 2019

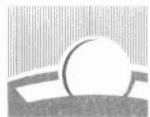
**Town Council Members**

Eric McIntyre, Mayor  
Margaret Metcalf, Mayor Pro-tem  
Richard Hall  
Mark Phillips  
Robert Williamson

**Town Officials**

Timothy J. Barth, Town Manager/Finance Director  
Monica Pace Greene, Assistant Finance Director and Town Clerk  
Scott Hamby, Chief of Police

**FINANCIAL  
SECTION**



# CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA  
Terry B. Andersen, CPA

F.T. Carland, CPA  
Trish Cheek, CPA  
George B. Lee, CPA  
Harold C. Reid, CPA

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Columbus, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

## ***Opinions***

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

## ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Columbus, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audits and the procedures as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Carland & Anderson, Inc.*

Hendersonville, North Carolina  
October 28, 2019



## **TOWN OF COLUMBUS, NORTH CAROLINA**

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

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

#### **Financial Highlights**

- The assets of the Town of Columbus exceeded its liabilities at the close of the fiscal year by \$4,983,236 (*net position*).
- The government's total net position increased by \$159,384.
- As of the close of the current fiscal year, the Town of Columbus' governmental fund reported an ending fund balance of \$921,380 --an increase of \$48,607 in comparison with the prior year. Approximately 65% of the ending fund balance, or \$597,403 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$597,403 or approximately 54% of total general fund expenditures for the fiscal year.
- The Town of Columbus' total debt decreased by \$50,350 for the General Fund.  
The Town's total debt decreased by \$328,192 for the Proprietary Fund.

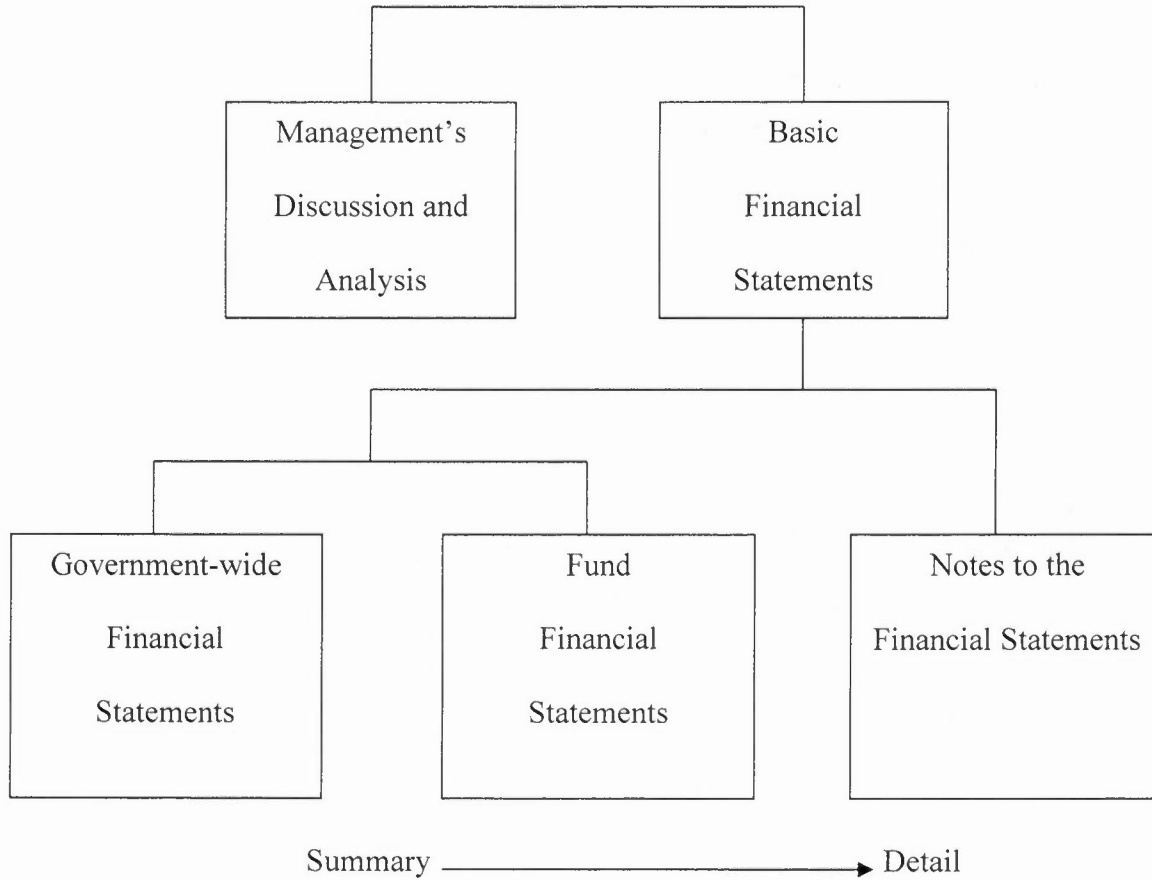
#### **Overview of the Financial Statements**

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

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**Management's Discussion and Analysis**

**Required Components of Annual Financial Report**

**Figure 1**



# **TOWN OF COLUMBUS, NORTH CAROLINA**

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

### **Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into three categories:

**Governmental activities** – These activities include most of the Town's basic services such as public safety, environmental protection, and general administration. Property taxes and state and federal grant funds finance most of these activities.

**Business-type activities** – These activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Columbus.

## **TOWN OF COLUMBUS, NORTH CAROLINA**

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

**Component unit** – The government-wide financial statements include not only the Town of Columbus (known as the primary government), but also a legally separate Alcoholic Beverage Control Board (ABC Board). Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

### **Fund Financial Statements**

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

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

The Town of Columbus 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 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.

## **TOWN OF COLUMBUS, NORTH CAROLINA**

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

The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**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 twenty-eight 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 Columbus' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page sixty 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 investments earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

# TOWN OF COLUMBUS, NORTH CAROLINA

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

#### Town of Columbus' Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 943,498	\$ 899,946	\$ 1,290,784	\$ 1,644,661	\$ 2,234,282	\$ 2,544,607
Capital assets	1,123,176	1,205,977	5,854,877	5,991,005	6,978,053	7,196,982
Total assets	2,066,674	2,105,923	7,145,661	7,635,666	9,212,335	9,741,589
Deferred outflows of resources	152,550	101,251	83,282	54,017	235,832	155,268
Long-term liabilities outstanding	584,402	551,568	3,732,545	4,371,440	4,316,947	4,923,008
Other liabilities	12,169	13,701	96,362	91,023	108,531	104,724
Total liabilities	596,571	565,269	3,828,907	4,462,463	4,425,478	5,027,732
Deferred inflows of resources	31,006	34,804	8,447	10,469	39,453	45,273
Net position:						
Net investment in capital assets	929,636	962,087	2,509,200	2,317,136	3,438,836	3,279,223
Restricted	254,477	280,669	-	-	254,477	280,669
Unrestricted	407,534	364,345	882,389	899,615	1,289,923	1,263,960
Total net position	\$ 1,591,647	\$ 1,607,101	\$ 3,391,589	\$ 3,216,751	\$ 4,983,236	\$ 4,823,852

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Columbus exceeded liabilities and deferred inflows by \$4,985,236 as of June 30, 2019. The Town's net position increased by \$159,384 for the fiscal year ended June 30, 2019. However, the largest portion (69%) of net position reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Columbus uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Columbus'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 Columbus's net position totaling \$254,477 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,289,923 is unrestricted.

## TOWN OF COLUMBUS, NORTH CAROLINA

### Management's Discussion and Analysis

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

- Continued diligence in the collections of property taxes by maintaining a tax collections percentage of 99.42%
- Continued low cost of debt due to the Town's high credit rating

**Town of Columbus Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 77,041	\$ 74,247	\$ 1,326,927	\$ 1,233,024	\$ 1,403,968	\$ 1,307,271
Operating grants and contributions	47,840	52,754	-	-	47,840	52,754
Capital grants and contributions	-	17,500	-	-	-	17,500
General revenues:						
Property taxes	548,764	512,581	-	-	548,764	512,581
Other taxes	436,698	403,884	-	-	436,698	403,884
Grants and contributions not restricted to specific programs	43,449	127,220	-	-	43,449	127,220
Other	1,548	571	6,458	1,702	8,006	2,273
Total revenues	<u>1,155,340</u>	<u>1,188,757</u>	<u>1,333,385</u>	<u>1,234,726</u>	<u>2,488,725</u>	<u>2,423,483</u>
Expenses:						
General government	205,555	195,625	-	-	205,555	195,625
Public safety	779,898	782,966	-	-	779,898	782,966
Transportation	111,694	90,291	-	-	111,694	90,291
Environmental Protection	68,173	61,025	-	-	68,173	61,025
Interest on long-term debt	5,474	4,172	-	-	5,474	4,172
Water and sewer	-	-	1,158,547	2,078,679	1,158,547	2,078,679
Total expenses	<u>1,170,794</u>	<u>1,134,079</u>	<u>1,158,547</u>	<u>2,078,679</u>	<u>2,329,341</u>	<u>3,212,758</u>
Increase in net position	(15,454)	54,678	174,838	(843,953)	159,384	(789,275)
Net position, July 1	<u>1,607,101</u>	<u>1,552,423</u>	<u>3,216,751</u>	<u>4,060,704</u>	<u>4,823,852</u>	<u>5,613,127</u>
Net position, June 30	<u>\$ 1,591,647</u>	<u>\$ 1,607,101</u>	<u>\$ 3,391,589</u>	<u>\$ 3,216,751</u>	<u>\$ 4,983,236</u>	<u>\$ 4,823,852</u>

## **TOWN OF COLUMBUS, NORTH CAROLINA**

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

**Governmental activities:** Governmental activities decreased the Town's net position by \$15,454. Key elements of this result are as follows:

- Expenses of \$1,170,794 exceeded revenues of \$1,155,340.

**Business-type activities:** Business-type activities increased the Town of Columbus' net assets by \$174,838. Key elements of this decrease are as follows:

- Revenues of \$1,333,385 exceeded expenses of \$1,158,547.

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

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

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

The general fund is the chief operating fund of the Town of Columbus. At the end of the current fiscal year, Town of Columbus' fund balance available in the General Fund was \$597,403 while total fund balance was \$921,380.

The Governing Body of the Town of Columbus has determined that the Town should maintain an available fund balance of 20 percent of general fund budgeted expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 50.28 percent of general fund budgeted expenditures, while total fund balance represents 77.55 percent of the same amount.



## **TOWN OF COLUMBUS, NORTH CAROLINA**

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

**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.

Actual revenues were greater than budget by \$33,124 and actual expenses were less than budget by \$77,795.

No cost of living increases were awarded at the start of fiscal year 2018/19, however, a new pay plan was adopted by Council in January 2019. This new pay plan brought many positions up to a more comparable fair market salary.

**Proprietary Fund.** The Town of Columbus's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$882,389. The total change in net position was an increase of \$174,838.

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

**Capital assets.** The Town of Columbus' investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$6,978,053 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, water and sewer lines, vehicles, and expansion of the Police Department building. Major capital asset transactions during the year include the following:

- Purchase of a radar sign for the police department at a cost of \$3,295.
- Install a new catch basin on Simms Street at a cost of \$13,000.
- Replace a storm drain on Park Street at a cost of \$17,000.
- Install a catch basin on Barber Street at a cost of \$3,200.
- Install a sewer extension on Highway 108 at a cost of \$48,734.
- Upgrade water line on Thistle Lane at a cost of \$20,250.
- Sewer improvements on right of way access at a cost of \$7,000.
- Engineering costs for the water tank project at a cost of \$15,000.

# TOWN OF COLUMBUS, NORTH CAROLINA

## Management's Discussion and Analysis

### Town of Columbus's Capital Assets (net of depreciation)

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 249,979	\$ 249,979	\$ 41,112	\$ 41,112	\$ 291,091	\$ 291,091
Buildings and system improvements	439,019	457,414	135,790	148,220	574,809	605,634
Water & sewer distribution systems	-	-	5,531,828	5,625,603	5,531,828	5,625,603
Equipment & Furniture	61,442	73,660	107,712	119,596	169,154	193,256
Vehicles and motorized equipment	111,677	161,205	38,435	56,474	150,112	217,679
Infrastructure	261,059	263,719	-	-	261,059	263,719
Total	<u>\$ 1,123,176</u>	<u>\$ 1,205,977</u>	<u>\$ 5,854,877</u>	<u>\$ 5,991,005</u>	<u>\$ 6,978,053</u>	<u>\$ 7,196,982</u>

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

**Long-term Debt.** As of June 30, 2019, the Town of Columbus had debt outstanding of \$3,539,217. Of this, \$530,328 is debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents installment obligations secured solely by specific assets purchased.

## TOWN OF COLUMBUS, NORTH CAROLINA

### Management's Discussion and Analysis

#### Town of Columbus' Outstanding Debt Installment Obligations and State Loans

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment obligations	\$ 193,540	\$ 243,890	\$ 2,815,349	\$ 3,055,154	\$3,008,889	\$3,299,044
State emergency loan	-	-	530,328	618,715	530,328	618,715
Total	\$ 193,540	\$ 243,890	\$ 3,345,677	\$ 3,673,869	\$3,539,217	\$3,917,759

The Town of Columbus' total debt decreased by a net of \$378,542 (9.66%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Columbus is \$9,897,778.

Additional information regarding the Town of Columbus's long-term obligations can be found in Note 3 beginning on page fifty-five of this report.

#### **Economic Factors**

The following key economic indicators reflect the economy of the Town of Columbus.

- The unemployment rate in Polk County decreased from 4.1% to 3.7%. The unemployment rate for the State of North Carolina remained the same at 4.2%. As of June 30, 2019, Polk County ranks thirty-sixth of the 100 counties in having the lowest unemployment rates.
- An increase of approximately 12.5% in local option sales tax revenues. This above-average increase is attributed to the local impact of sales from the World Equestrian Games held in September 2018 in Polk County.
- A continued tax collection rate of over 99%.

# **TOWN OF COLUMBUS, NORTH CAROLINA**

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

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

**Governmental Activities:** The Town's adopted budget for fiscal year 2019/20 totaled \$1,321,655 which represents a 11.25% increase from the fiscal year 2018/19 budget of \$1,188,050.

The tax rate in the 2019/20 budget remained at .4446 per \$100 of assessed valuation.

In January 2019 Council adopted an updated personnel policy and corresponding salary schedule based on the recommendations of results of a salary/benefit study conducted by the MAPS Group, Inc. Prior to this, salary increases to employees were last awarded in 2012/2013.

The adopted budget provides for July 4<sup>th</sup> activities, which include a street fair, entertainment, and fireworks.

**Business-type activities:** The Town's adopted budget for fiscal year 2019/20 totaled \$1,370,573 which represents a 0.76% increase from the fiscal year 2018/19 budget of \$1,360,224.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Columbus, P.O. Box 146, Columbus, North Carolina, 28722.

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government			Town of Columbus ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 679,072	\$ 1,104,914	\$ 1,783,986	\$ 100,113
Taxes receivables, net	7,008		7,008	
Accrued interest receivable on taxes	2,941		2,941	
Accounts receivable, net	6,048	101,305	107,353	
Due from other governments	86,954		86,954	
Inventories				105,768
Prepaid items				2,386
Restricted cash and cash equivalents	161,475	84,565	246,040	
Total current assets	<u>\$ 943,498</u>	<u>\$ 1,290,784</u>	<u>\$ 2,234,282</u>	<u>\$ 208,267</u>
Noncurrent assets:				
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	\$ 249,979	\$ 41,112	\$ 291,091	
Other capital assets, net of depreciation	873,197	5,813,765	6,686,962	\$ 5,099
Total capital assets	<u>\$ 1,123,176</u>	<u>\$ 5,854,877</u>	<u>\$ 6,978,053</u>	<u>\$ 5,099</u>
Total assets	<u><u>\$ 2,066,674</u></u>	<u><u>\$ 7,145,661</u></u>	<u><u>\$ 9,212,335</u></u>	<u><u>\$ 213,366</u></u>
<b>Deferred Outflows of Resources</b>				
Pension deferrals	<u>\$ 152,550</u>	<u>\$ 83,282</u>	<u>\$ 235,832</u>	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,169	\$ 11,797	\$ 23,966	\$ 40,012
Current portion of long-term liabilities	50,673	594,451	645,124	
Payable from restricted assets		84,565	84,565	
Total current liabilities	<u>\$ 62,842</u>	<u>\$ 690,813</u>	<u>\$ 753,655</u>	<u>\$ 40,012</u>
Long-term liabilities:				
Due in more than one year	<u>\$ 533,729</u>	<u>\$ 3,138,094</u>	<u>\$ 3,671,823</u>	
Total liabilities	<u>\$ 596,571</u>	<u>\$ 3,828,907</u>	<u>\$ 4,425,478</u>	<u>\$ 40,012</u>
<b>Deferred Inflows of Resources</b>				
Pension deferrals	<u>\$ 31,006</u>	<u>\$ 8,447</u>	<u>\$ 39,453</u>	
<b>Net Position</b>				
Net investment in capital assets	\$ 929,636	\$ 2,509,200	\$ 3,438,836	\$ 5,099
Restricted for:				
Stabilization by State Statute	93,002		93,002	
Streets	122,794		122,794	
Public safety	38,681		38,681	
Working capital				20,197
Unrestricted	407,534	882,389	1,289,923	148,058
Total net position	<u>\$ 1,591,647</u>	<u>\$ 3,391,589</u>	<u>\$ 4,983,236</u>	<u>\$ 173,354</u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
General government	\$ 205,555	\$ 8,974	\$ 7,500
Public safety	779,898		6,863
Transportation	111,694		33,477
Environmental protection	68,173	68,067	
Interest on long-term debt	5,474		
Total governmental activities			
(See Note 1)	<u>\$ 1,170,794</u>	<u>\$ 77,041</u>	<u>\$ 47,840</u>
Business-type activities:			
Water and sewer	<u>\$ 1,158,547</u>	<u>\$ 1,326,927</u>	
Total business-type activities	<u>\$ 1,158,547</u>	<u>\$ 1,326,927</u>	
Total primary government	<u><u>\$ 2,329,341</u></u>	<u><u>\$ 1,403,968</u></u>	<u><u>\$ 47,840</u></u>
Component unit:			
ABC Board	<u>\$ 651,860</u>	<u>\$ 678,978</u>	
Total component unit	<u><u>\$ 651,860</u></u>	<u><u>\$ 678,978</u></u>	

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Town of Columbus ABC Board
Primary government:				
Governmental Activities:				
General government	\$ (189,081)		\$ (189,081)	
Public safety	(773,035)		(773,035)	
Transportation	(78,217)		(78,217)	
Environmental protection	(106)		(106)	
Interest on long-term debt	(5,474)		(5,474)	
Total governmental activities (See Note 1)	<u>\$ (1,045,913)</u>		<u>\$ (1,045,913)</u>	
Business-type activities:				
Water and sewer		\$ 168,380	\$ 168,380	
Total business-type activities		<u>\$ 168,380</u>	<u>\$ 168,380</u>	
Total primary government	<u>\$ (1,045,913)</u>	<u>\$ 168,380</u>	<u>\$ (877,533)</u>	
Component unit:				
ABC Board				\$ 27,118
Total component unit				<u>\$ 27,118</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose	\$ 548,764		\$ 548,764	
Local option sales tax	296,250		296,250	
Other taxes	140,448		140,448	
Grants and contributions not restricted to specific programs	43,449		43,449	
Unrestricted investment earnings	1,548	\$ 6,458	8,006	
Total general revenues	<u>\$ 1,030,459</u>	<u>\$ 6,458</u>	<u>\$ 1,036,917</u>	
Change in net position	\$ (15,454)	\$ 174,838	\$ 159,384	\$ 27,118
Net position, beginning, previously reported	1,607,101	3,216,751	4,823,852	146,236
Net position, ending	<u>\$ 1,591,647</u>	<u>\$ 3,391,589</u>	<u>\$ 4,983,236</u>	<u>\$ 173,354</u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2019**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 679,072
Restricted cash and cash equivalents	161,475
Receivables, net:	
Taxes	7,008
Accounts	6,048
Due from other governments	86,954
	<u>940,557</u>
Total assets	<u>\$ 940,557</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 12,169
Total liabilities	<u>\$ 12,169</u>
<b>Deferred Inflows of Resources</b>	
Property taxes receivable	\$ 7,008
Total deferred inflows of resources	<u>\$ 7,008</u>
<b>Fund Balances</b>	
Restricted	
Stabilization by State Statute	\$ 93,002
Streets	122,794
Public Safety	38,681
Assigned	
Subsequent year's expenditures	69,500
Unassigned	597,403
Total fund balances	<u>\$ 921,380</u>
	<u>\$ 940,557</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 940,557</u>

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



**TOWN OF COLUMBUS, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2019**

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

Total Fund Balance, Governmental Fund		\$ 921,380
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 2,293,494	
Accumulated depreciation	<u>(1,170,318)</u>	1,123,176
Deferred outflows of resources related to pensions are not reported in the funds		152,550
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.		2,941
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		7,008
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt, beginning	\$ (270,598)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	<u>46,909</u>	(223,689)
Net pension liability		(360,713)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(31,006)</u>
Net position of governmental activities		<u><u>\$ 1,591,647</u></u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -- GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 552,286
Other taxes and licenses	33,387
Unrestricted intergovernmental	410,811
Restricted intergovernmental	37,827
Permits, fees and other receipts	109,189
Grants	2,513
Investment earnings	1,548
Total revenues	<u>\$ 1,147,561</u>
<b>Expenditures</b>	
General government	\$ 186,599
Public safety	683,246
Transportation	79,918
Environmental protection	68,173
Debt service:	
Principal	50,350
Interest and other charges	5,474
Capital outlay	36,495
Total expenditures	<u>\$ 1,110,255</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 37,306</u>
<b>Other Financing Sources</b>	
Sale of capital assets	<u>\$ 11,301</u>
Net change in fund balance	\$ 48,607
Fund balance, beginning as previously reported	<u>872,773</u>
Fund balance, ending	<u><u>\$ 921,380</u></u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -- GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balance - total governmental fund	\$ 48,607
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 36,495	
Depreciation expense for governmental assets	<u>(119,296)</u>	(82,801)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	37,304
--	--------

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

Change in unavailable revenue for tax revenues	(3,522)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	50,350
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(3,441)	
Pension Expense	<u>(61,951)</u>	

Total changes in net position of governmental activities	<u>\$ (15,454)</u>
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**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ANNUAL BUDGET AND ACTUAL -- GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 546,320	\$ 546,320	\$ 552,286	\$ 5,966
Other taxes and licenses	28,650	28,650	33,387	4,737
Unrestricted intergovernmental	370,630	401,000	410,811	9,811
Restricted intergovernmental	36,400	36,400	37,827	1,427
Permits, fees and other receipts	96,542	99,317	109,189	9,872
Grants	4,500	2,200	2,513	313
Investment earnings	550	550	1,548	998
Total revenues	<u>\$1,083,592</u>	<u>\$1,114,437</u>	<u>\$1,147,561</u>	<u>\$ 33,124</u>
Expenditures:				
Current:				
General government	\$ 169,205	\$ 193,265	\$ 186,599	\$ 6,666
Public safety	753,120	721,200	686,541	34,659
Transportation	68,430	120,430	113,118	7,312
Environmental protection	64,930	64,930	68,173	(3,243)
Debt service:				
Principal retirement	54,920	82,225	50,350	31,875
Interest and other charges		6,000	5,474	526
Total expenditures	<u>\$1,110,605</u>	<u>\$1,188,050</u>	<u>\$1,110,255</u>	<u>\$ 77,795</u>
Revenues over (under) expenditures	<u>\$ (27,013)</u>	<u>\$ (73,613)</u>	<u>\$ 37,306</u>	<u>\$ 110,919</u>
Other financing sources:				
Sale of capital assets		\$ 11,000	\$ 11,301	\$ 301
Fund balance appropriated	<u>\$ 27,013</u>	<u>\$ 62,613</u>		<u>\$ (62,613)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,607</u>	<u>\$ 48,607</u>
Fund balance, beginning as previously reported			<u>872,773</u>	
Fund balance, ending			<u>\$ 921,380</u>	

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

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2019**

	<u><b>Water and Sewer Fund</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,104,914
Accounts receivable, net	101,305
Restricted cash and cash equivalents	84,565
Total current assets	<u>\$ 1,290,784</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	\$ 41,112
Other capital assets, net of depreciation	5,813,765
Total capital assets, net	<u>\$ 5,854,877</u>
Total noncurrent assets	<u>\$ 5,854,877</u>
Total assets	<u><u>\$ 7,145,661</u></u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	<u>\$ 83,282</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 11,797
Compensated absences, current	2,578
Installment obligations, current	330,193
Refund settlement obligation, current	261,680
Liabilities payable from restricted assets:	
Customer deposits	84,565
Total current liabilities	<u>\$ 690,813</u>
Non-current liabilities:	
Compensated absences	\$ 11,026
Net pension liability	111,584
Installment obligations, non-current	3,015,484
Total noncurrent liabilities	<u>\$ 3,138,094</u>
Total liabilities	<u><u>\$ 3,828,907</u></u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	<u>\$ 8,447</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 2,509,200
Unrestricted	882,389
Total net position	<u><u>\$ 3,391,589</u></u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION -- PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u><b>Water and Sewer Fund</b></u>
Operating revenues:	
Charges for services	\$ 1,294,727
Water and sewer taps	32,200
Total operating revenues	<u>\$ 1,326,927</u>
Operating expenses:	
Salaries and employee benefits	\$ 450,463
Outside services	88,717
Utilities	103,885
Telephone	2,568
Repairs and maintenance	111,880
Equipment Rental	100
Materials and supplies	31,691
Office supplies and postage	5,808
Advertising	605
Uniforms	1,320
Staff development	1,188
Professional services	33,660
Safety program and equipment	1,450
Insurance	13,979
Depreciation	227,593
Total operating expenses	<u>\$ 1,074,907</u>
Operating income	<u>\$ 252,020</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 6,458
Interest and other charges	(33,640)
Economic development incentive	(50,000)
Total non-operating revenues (expenses)	<u>\$ (77,182)</u>
Change in net position	\$ 174,838
Total net position, previously reported	<u>3,216,751</u>
Total net position, ending	<u><u>\$ 3,391,589</u></u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Water and Sewer Fund</b>
Cash flows from operating activities:	
Cash received from customers	\$ 1,309,077
Cash paid for goods and services	(403,303)
Cash paid to or on behalf of employees for services	(439,945)
Customer deposits received	8,410
Net cash provided by operating activities	<u>\$ 474,239</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (91,465)
Principal paid on installment obligations	(328,190)
Principal paid on refund settlement obligation	(348,906)
Paid for economic development incentive	(50,000)
Interest paid on installment obligations	(33,640)
Net cash (used) by capital and related financing activities	<u>\$ (852,201)</u>
Cash flows from investing activities	
Interest and dividends	\$ 6,458
Net cash provided by investing activities	<u>\$ 6,458</u>
Net (decrease) in cash and cash equivalents	\$ (371,504)
Cash and cash equivalents, beginning of year	<u>1,560,983</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,189,479</u></u>

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

**Exhibit 8**  
**(continued)**

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 252,020</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 227,593
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) in accounts receivable	(17,850)
Decrease in prepaid items	223
(Increase) in deferred outflows of resources - pensions	(29,265)
Increase in net pension liability	38,756
(Decrease) in deferred inflows of resources - pensions	(2,022)
(Decrease) in accounts payable and accrued liabilities	(3,071)
Increase in customer deposits	8,410
(Decrease) in compensated absences	(555)
Total adjustments	<u>\$ 222,219</u>
Net cash provided by operating activities	<u><u>\$ 474,239</u></u>

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



**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**Town of Columbus ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Columbus ABC Board, P.O. Box 755, Columbus, NC 28722-0755.

**B. Basis of Presentation**

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

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies - continued**

*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 major governmental fund:

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

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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 ninety days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. 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. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 1 - Summary of Significant Accounting Policies – continued**

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 and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Federal Seizure funds are also classified as a restricted asset because their use is restricted to benefit the Public Safety efforts of the Town.

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

<u>Town of Columbus Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 122,794
Public Safety	38,681
Total governmental activities	<u>\$ 161,475</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 84,565
Total business-type activities	<u>\$ 84,565</u>
Total Restricted Cash	<u><u>\$ 246,040</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2018. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board consists of products held for resale. The cost of the inventory is expensed when sold rather than when purchased.

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost is \$1,000 for all assets of the governmental activities and \$5,000 for the business-type activities. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings and systems	40
Improvements	25
Vehicles and motorized equipment	5
Furniture and equipment	10
Computer equipment	3

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10
Leasehold improvements	10

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 1 - Summary of Significant Accounting Policies – continued**

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund type 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.

10. Compensated Absences

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

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



**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

Fund Balances - continued

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

Restricted for Public Safety - portion of fund balance restricted by revenue source for public safety purposes.

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 Columbus' governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

The Town of Columbus 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.

The Town of Columbus has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 1 - Summary of Significant Accounting Policies – continued**

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (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 Columbus' employer contributions are recognized when due and the Town of Columbus has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**Note 2 – Stewardship, Compliance, and Accountability**

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for environmental protection activities by \$3,243. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**Note 3 – Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds - continued**

The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$2,029,796 and a bank balance of \$2,135,035. Of the bank balance, \$720,626 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$99,509 and the bank balance was \$98,029. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$230.

2. Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2019</u>
General Fund:	
Taxes receivable	<u>\$ 10,730</u>

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds - continued**

3. Capital Assets

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 249,979			\$ 249,979
Total capital assets not being depreciated	<u>\$ 249,979</u>			<u>\$ 249,979</u>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 584,921			\$ 584,921
Equipment and furniture	325,893	\$ 3,295		329,188
Vehicles and motorized equipment	612,001		\$ 56,355	555,646
Infrastructure	540,560	33,200		573,760
Total capital assets being depreciated	<u>\$2,063,375</u>	<u>\$ 36,495</u>	<u>\$ 56,355</u>	<u>\$2,043,515</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 127,507	\$ 18,395		\$ 145,902
Equipment and furniture	252,233	15,513		267,746
Vehicles and motorized equipment	450,796	49,528	\$ 56,355	443,969
Infrastructure	276,841	35,860		312,701
Total accumulated depreciation	<u>\$1,107,377</u>	<u>\$119,296</u>	<u>\$ 56,355</u>	<u>\$1,170,318</u>
Total capital assets being depreciated, net	<u>\$ 955,998</u>			<u>\$ 873,197</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$1,205,977</u></u>			<u><u>\$1,123,176</u></u>

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

General government	\$ 18,956
Public safety	69,178
Transportation	31,162
Total depreciation expense	<u><u>\$ 119,296</u></u>

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

3. Capital Assets - continued

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 41,112			\$ 41,112
Total capital assets not being depreciated	<u>\$ 41,112</u>			<u>\$ 41,112</u>
<b>Capital assets being depreciated:</b>				
Building	\$ 293,457			\$ 293,457
Water and sewer distribution systems	7,449,655	\$ 91,465		7,541,120
Equipment and furniture	664,848			664,848
Vehicles and motorized equipment	201,754			201,754
Total capital assets being depreciated	<u>\$8,609,714</u>	<u>\$ 91,465</u>	<u>\$ -</u>	<u>\$8,701,179</u>
<b>Less accumulated depreciation for:</b>				
Building	\$ 145,237	\$ 12,430		\$ 157,667
Water and sewer distribution systems	1,824,052	185,240		2,009,292
Equipment and furniture	545,252	11,884		557,136
Vehicles and motorized equipment	145,280	18,039		163,319
Total accumulated depreciation	<u>\$2,659,821</u>	<u>\$227,593</u>	<u>\$ -</u>	<u>\$2,887,414</u>
Total capital assets being depreciated, net	<u>\$5,949,893</u>			<u>\$5,813,765</u>
Water and Sewer fund capital assets, net	<u>\$5,991,005</u>			<u>\$5,854,877</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$5,991,005</u></u>			<u><u>\$5,854,877</u></u>

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

3. Capital Assets - continued

**Discretely presented component unit**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Leasehold improvements	\$ 18,527			\$ 18,527
Store equipment	31,580			31,580
Computer equipment	783			783
Total capital assets being depreciated	<u>\$ 50,890</u>			<u>\$ 50,890</u>
<b>Less accumulated depreciation for:</b>				
Leasehold improvements	\$ 18,479	\$ 48		\$ 18,527
Store equipment	23,822	2,659		26,481
Computer equipment	783			783
Total accumulated depreciation	<u>\$ 43,084</u>	<u>\$ 2,707</u>		<u>\$ 45,791</u>
<b>Total capital assets being depreciated, net</b>	<u><u>\$ 7,806</u></u>			<u><u>\$ 5,099</u></u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Columbus is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of thirteen 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.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Local Governmental Employees' Retirement System - continued

That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an 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 Columbus employees are required to contribute 6% of their compensation.



**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Local Governmental Employees' Retirement System - continued

Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Columbus' contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Columbus were \$59,184 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 \$299,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.01264%, which was a decrease of 0.00023% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$79,083. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Local Governmental Employees' Retirement System - continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,262	\$ 1,552
Changes of assumptions	79,572	
Net difference between projected and actual earnings on pension plan investments	41,162	
Changes in proportion and differences between Town contributions and proportionate share of contributions		13,218
Town contributions subsequent to the measurement date	59,184	
Total	<u>\$ 226,180</u>	<u>\$ 14,770</u>

\$59,184 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Principal</u>
2020	\$ 73,439
2021	48,193
2022	7,812
2023	22,782
Total	<u>\$ 152,226</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Local Governmental Employees' Retirement System - continued

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

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

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

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

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Local Governmental Employees' Retirement System - continued

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

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

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

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Proportionate share of the net pension liability (asset)	\$ 720,299	\$ 299,864	\$ (51,458)

*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.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Columbus administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>10</u>
Total	<u><u>10</u></u>

2. *Summary of Significant Accounting Policies:*

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

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

b. Law Enforcement Officers Special Separation Allowance - continued

3. *Actuarial Assumptions*

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

Inflation	2.50 percent
Salary increases	3.50 - 7.35 percent, including inflation and productivity
Discount rate	3.64 percent

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

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on MP-2015.

4. *Contributions.*

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

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

At June 30, 2019, the Town reported a total pension liability of \$172,433. The total pension liability was measured as of December 31, 2018, based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$12,553.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

b. Law Enforcement Officers Special Separation Allowance – continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,065	\$ 17,738
Changes of assumptions and other inputs	5,587	6,945
Benefit payments and plan administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 9,652</u>	<u>\$ 24,683</u>

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

Year ended June 30:	Deferred Inflows of Resources
2020	\$ (3,924)
2021	(3,924)
2022	(3,924)
2023	(3,096)
2024	(145)
Thereafter	(18)
Total	<u>\$ (15,031)</u>

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

b. Law Enforcement Officers Special Separation Allowance - continued

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 184,698	\$ 172,433	\$ 161,234

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

Beginning balance	\$ 157,179
Service cost	11,175
Interest on total pension liability	4,967
Changes of benefit terms	-
Difference between expected and actual experience	4,861
Changes in the measurement of assumptions or of total pension liability	(5,749)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 172,433</u>

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

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



**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 79,083	\$ 12,553	\$ 91,636
Pension Liability	299,864	172,433	472,297
Proportionate share of the net pension liability	0.01264%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	46,262	4,065	50,327
Changes of assumptions	79,572	5,587	85,159
Net difference between projected and actual earnings on plan investments	41,162	-	41,162
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	59,184	-	59,184
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,552	17,738	19,290
Changes of assumptions	-	6,945	6,945
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,218	-	13,218

c. **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$17,881 for the operating year. No amounts were forfeited.

**2. Other Employment Benefits**

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

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 59,184
Differences between expected and actual experience	50,327
Changes of assumptions	85,159
Net difference between projected and actual earnings on pension plan investments	41,162
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
	<hr/>
Total	<u><u>\$ 235,832</u></u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)		\$ 7,008
Differences between expected and actual experience	\$ 19,290	
Changes of assumptions and inputs	6,945	
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,218	
	<hr/>	
Total	<u><u>\$ 39,453</u></u>	<u><u>\$ 7,008</u></u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance to cover property, general liability, and auto liability coverage of \$1,000,000 per occurrence and workmen's compensation coverage of \$100,000 per accident. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town of Columbus is not in a flood plain and does not carry flood insurance.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

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

5. Claims, Judgments and Contingent Liabilities

In March 2018 the Town entered a settlement agreement with the plaintiff in a case which was pending with the North Carolina Supreme Court. The case was related to a dispute in regards to the billing of water and sewer fees by the Town to the plaintiff. In consideration of the compromise of the released claims, the parties agreed to resolve the litigation and appeal for a total settlement of \$947,813. The settlement required payment by the Town of \$250,000 at the execution of the settlement agreement with the remaining balance due in monthly installments for a period of twenty-four consecutive months beginning in April 2018.

6. Long-Term Obligations

a. Installment Purchases

On January 18, 2008, the Town executed an installment purchase with a local bank to purchase equipment and for a water/sewer line project. The \$700,000 financing arrangement requires semi-annual payments of \$26,176 with interest at 3.97%, maturing on January 1, 2023.

On August 14, 2008, the Town executed an installment purchase with a local bank for building renovations and construction of a new building. The \$163,969 financing arrangement requires annual principal payments of \$10,931 with interest at 4.18%, maturing on August 14, 2023.

On May 5, 2009, the Town executed a revolving loan with funds from the American Recovery and Reinvestment Act of 2009 (ARRA) for sewer rehabilitation and manhole replacement. The \$150,146 financing arrangement, half of which was forgiven, requires annual payments of \$3,740 with interest at 0.0% maturing May 1, 2030.

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Installment Purchases - continued

On May 19, 2010, the Town, along with the towns of Tryon and Saluda, executed a revolving loan with the North Carolina Rural Center for the Tryon/Saluda/Columbus joint waterline. Due to construction delays, the first draw on the loan did not take place until September 9, 2010. The \$1,430,001 financing arrangement which is shared equally by the Town of Tryon, the Town of Saluda, and the Town of Columbus, requires annual principal payments of \$70,488 with interest at 2.5% maturing May 1, 2031.

On February 21, 2013, the Town passed an ordinance to enter into a revolving loan agreement with the North Carolina Department of Environment and Natural Resources for the purpose of construction of a wastewater treatment plant upgrade. The final draw on the loan took place in May 2015. The \$3,000,000 financing arrangement requires annual payments of \$150,000 beginning in May 2015 with interest at 0.0% maturing May 1, 2034.

On December 17, 2014, the Town executed an installment purchase with a local bank to acquire vehicles. The \$47,885 financing arrangement requires annual payments of \$12,710 with interest at 2.44%, maturing on December 17, 2018.

On August 2, 2015, the Town executed an installment purchase with a local bank to acquire vehicles. The \$109,783 financing arrangement requires annual payments of \$29,042 with interest at 2.30%, maturing on August 5, 2019.

On July 15, 2016, the Town executed an installment purchase with a local bank to finance a capital improvement project at the Police Department. The \$200,000 financing arrangement requires annual payments of \$22,287 with an interest rate at 1.99%, maturing on July 15, 2026.

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 – Detail Notes on All Funds – continued**

a. Installment Purchases - continued

Annual debt service requirements to maturity for installment obligations are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 38,693	\$ 4,290	\$ 241,805	\$ 16,121
2021	22,255	3,402	232,036	13,129
2022	22,649	2,878	233,920	10,331
2023	23,043	2,353	235,880	7,458
2024	23,444	1,821	185,045	5,025
Next 5 Years	63,456	2,581	736,184	14,685
Thereafter			950,479	1,762
Total	<u>\$ 193,540</u>	<u>\$ 17,325</u>	<u>\$2,815,349</u>	<u>\$ 68,511</u>

The Town's legal debt limit is 8% of the Town's assessed value of taxable property. At June 30, 2019, the Town had a legal debt margin of \$9,897,778.

b. Emergency Loan Payable

The Town received an emergency loan from the state to expand and replace the current sewer system. The construction was completed during the year ended June 30, 2006. The loan is payable in the amount of \$88,388 each May 1 and interest at 2.36% is payable each November 1 and May 1 through May 1, 2025. Annual debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2020	\$ 88,388	\$ 12,516
2021	88,388	10,430
2022	88,388	8,344
2023	88,388	6,258
2024	88,388	4,172
Next 5 Years	88,388	2,086
Total	<u>\$ 530,328</u>	<u>\$ 43,806</u>

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

c. Changes in Long-Term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2019, were as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 243,890		\$ 50,350	\$ 193,540	\$ 38,693
Compensated absences	26,708	\$ 4,580	1,139	30,149	11,980
Net pension liability (LGERS)	123,791	64,489		188,280	
Net pension obligation (LEO)	157,179	15,254		172,433	
Governmental activity long-term liabilities	<u>\$ 551,568</u>	<u>\$ 84,323</u>	<u>\$ 51,489</u>	<u>\$ 584,402</u>	<u>\$ 50,673</u>
Business-type activities:					
Installment purchases	\$ 3,055,154		\$ 239,805	\$ 2,815,349	\$ 241,805
Refund settlement obligation	610,584		348,904	261,680	261,680
State emergency loan fund	618,715		88,387	530,328	88,388
Net pension liability (LGERS)	72,828	\$ 38,756		111,584	
Compensated absences	14,159	2,865	3,420	13,604	2,578
Business-type activity long-term liabilities	<u>\$ 4,371,440</u>	<u>\$ 41,621</u>	<u>\$ 680,516</u>	<u>\$ 3,732,545</u>	<u>\$ 594,451</u>

Compensated absences for governmental activities are typically liquidated by the General Fund and for business-type activities by the Water and Sewer Fund.

d. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 1,123,176	\$ 5,854,877
Less: long-term debt	<u>193,540</u>	<u>3,345,677</u>
Net investment in capital assets	<u>\$ 929,636</u>	<u>\$ 2,509,200</u>

**TOWN OF COLUMBUS, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note 3 - Detail Notes on All Funds – continued**

e. Fund Balance

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

Total fund balance-General Fund	\$ 921,380
Less:	
Stabilization by State Statute	\$ 93,002
Streets-Powell Bill	122,794
Public Safety	38,681
Subsequent year's expenditures	69,500
Working Capital/Fund Balance Policy	237,610
Remaining Fund Balance	359,793
	<u>\$ 921,380</u>

The Town of Columbus has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

**Note 4 – Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**Note 5 – Subsequent Events**

Subsequent events have been evaluated through October 28, 2019, which is the date the financial statements were available to be issued.



**REQUIRED  
SUPPLEMENTARY  
FINANCIAL DATA**

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This section contains additional statements required by generally accepted accounting principles

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- Local Government Employees' Retirement System – Proportionate Share of Net Pension Liability (Asset)
- Local Government Employees' Retirement System – Schedule of Contributions
- Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability
- Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll

**TOWN OF COLUMBUS, NORTH CAROLINA  
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of net pension liability (asset) (%)	0.01264%	0.01287%	0.01293%	0.01404%	0.01456%	0.01290%
Proportion of net pension liability (asset) (\$)	\$299,864	\$196,619	\$274,419	\$ 63,011	\$ (85,868)	\$ 155,495
Covered payroll	\$748,075	\$751,002	\$756,457	\$718,671	\$710,268	\$ 671,257
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	40.08%	26.18%	36.28%	8.77%	( 12.09%)	23.16%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Notes to the schedule:

This schedule will not present ten year information until fiscal year ending June 30, 2023.

**TOWN OF COLUMBUS, NORTH CAROLINA  
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS  
LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required contribution	\$ 59,184	\$ 58,883	\$ 57,294	\$ 48,706	\$ 49,131	\$ 48,504
Contributions in relation to the contractually required contribution	<u>59,184</u>	<u>58,883</u>	<u>57,294</u>	<u>48,706</u>	<u>49,131</u>	<u>48,504</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$731,245	\$748,075	\$751,002	\$756,457	\$718,671	\$ 710,268
Contributions as a percentage of covered payroll	8.09%	7.87%	7.63%	6.44%	6.84%	6.83%

Notes to the schedule:

This schedule will not present ten year information until fiscal year ending June 30, 2023.

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$157,179	\$160,362	\$ 150,033
Service cost	11,175	9,140	8,904
Interest on the total pension liability	4,967	6,190	5,356
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,861	(27,026)	-
Changes of assumptions or other inputs	(5,749)	8,513	(3,931)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u><u>\$172,433</u></u>	<u><u>\$157,179</u></u>	<u><u>\$ 160,362</u></u>

Notes to the schedule:

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

This schedule will not present ten year information until fiscal year ending June 30, 2026.

**TOWN OF COLUMBUS, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF TOTAL PENSION LIABILITY  
AS A PERCENTAGE OF COVERED PAYROLL  
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 172,433	\$ 157,179	\$ 160,362
Covered payroll	400,979	415,880	402,997
Total pension liability as a percentage of covered payroll	43.00%	37.79%	39.79%

Notes to the schedule:

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

This schedule will not present ten year information until fiscal year ending June 30, 2026.

**INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**

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This section contains additional statements required by the Local Government Commission in North Carolina.

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**TOWN OF COLUMBUS, NORTH CAROLINA**  
**GENERAL FUND -- SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Ad valorem taxes:			
Taxes	\$ 546,320	\$ 549,610	\$ 3,290
Penalties and interest		2,676	2,676
Total	<u>\$ 546,320</u>	<u>\$ 552,286</u>	<u>\$ 5,966</u>
Other taxes and licenses:			
Solid waste fee	\$ 650	\$ 701	\$ 51
Gross receipts tax on short-term rental property	28,000	32,686	4,686
Total	<u>\$ 28,650</u>	<u>\$ 33,387</u>	<u>\$ 4,737</u>
Unrestricted intergovernmental:			
Local option sales tax	\$ 284,000	\$ 296,250	\$ 12,250
Telecommunications sales tax	105,100	13,384	(91,716)
Utilities sales tax		75,850	75,850
Piped natural gas sales tax		5,916	5,916
Video franchise fee		7,573	7,573
Beer and wine tax	4,400	4,338	(62)
ABC profit distributions	7,500	7,500	
Total	<u>\$ 401,000</u>	<u>\$ 410,811</u>	<u>\$ 9,811</u>
Restricted intergovernmental:			
Powell Bill allocation	\$ 33,100	\$ 33,477	\$ 377
Controlled substance tax	3,300	4,350	1,050
Total	<u>\$ 36,400</u>	<u>\$ 37,827</u>	<u>\$ 1,427</u>
Permits fees, and other receipts:			
Court fees	\$ 3,000	\$ 3,599	\$ 599
Sanitation fees	66,460	68,067	1,607
Zoning	5,275	5,375	100
Other	24,582	32,148	7,566
Total	<u>\$ 99,317</u>	<u>\$ 109,189</u>	<u>\$ 9,872</u>
Grants:			
Governor's Highway Safety Program	\$ 2,200	\$ 2,513	\$ 313
Total	<u>\$ 2,200</u>	<u>\$ 2,513</u>	<u>\$ 313</u>
Investment earnings:			
Interest-unrestricted	\$ 500	\$ 1,351	\$ 851
Interest-restricted	50	197	147
Total	<u>\$ 550</u>	<u>\$ 1,548</u>	<u>\$ 998</u>
Total revenues	<u>\$ 1,114,437</u>	<u>\$ 1,147,561</u>	<u>\$ 33,124</u>

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**GENERAL FUND -- SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>Expenditures</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
General government:			
Salaries and employee benefits	\$ 10,765	\$ 10,765	
Other operating expenditures	3,900	3,885	\$ 15
Total	<u>\$ 14,665</u>	<u>\$ 14,650</u>	<u>\$ 15</u>
Administration:			
Salaries and employee benefits	\$ 71,345	\$ 62,131	\$ 9,214
Other operating expenditures	107,255	109,818	(2,563)
Total	<u>\$ 178,600</u>	<u>\$ 171,949</u>	<u>\$ 6,651</u>
Total general government	<u>\$ 193,265</u>	<u>\$ 186,599</u>	<u>\$ 6,666</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ 538,315	\$ 503,882	\$ 34,433
Other operating expenditures	89,755	89,534	221
Capital outlay	3,300	3,295	5
Total	<u>\$ 631,370</u>	<u>\$ 596,711</u>	<u>\$ 34,659</u>
Fire:			
Contracted services	<u>\$ 89,830</u>	<u>\$ 89,830</u>	
Total public safety	<u>\$ 721,200</u>	<u>\$ 686,541</u>	<u>\$ 34,659</u>
Transportation:			
Salaries and employee benefits	\$ 17,680	\$ 22,158	\$ (4,478)
Other operating expenditures	40,750	57,760	(17,010)
Capital outlay	62,000	33,200	28,800
Total transportation	<u>\$ 120,430</u>	<u>\$ 113,118</u>	<u>\$ 7,312</u>
Environmental Protection:			
Contracted services	<u>\$ 64,930</u>	<u>\$ 68,173</u>	<u>\$ (3,243)</u>
Debt service:			
Principal retirement	\$ 82,225	\$ 50,350	\$ 31,875
Interest and other charges	6,000	5,474	526
Total debt service	<u>\$ 88,225</u>	<u>\$ 55,824</u>	<u>\$ 32,401</u>
Total expenditures	<u>\$ 1,188,050</u>	<u>\$ 1,110,255</u>	<u>\$ 77,795</u>



**TOWN OF COLUMBUS, NORTH CAROLINA**  
**GENERAL FUND -- SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	<u>\$ (73,613)</u>	<u>\$ 37,306</u>	<u>\$ 110,919</u>
Other financing sources:			
Sale of capital assets	<u>\$ 11,000</u>	<u>\$ 11,301</u>	<u>\$ 301</u>
Fund balance appropriated	<u>\$ 62,613</u>		<u>\$ (62,613)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>\$ 48,607</u>	<u><u>\$ 48,607</u></u>
Fund balance, beginning as previously reported		<u>872,773</u>	
Fund balance, ending		<u><u>\$ 921,380</u></u>	

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**WATER AND SEWER FUND -- SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Water sales:			
Charges for services	\$ 639,000	\$ 657,369	\$ 18,369
Municipal fees	37,000	36,692	(308)
Total	<u>\$ 676,000</u>	<u>\$ 694,061</u>	<u>\$ 18,061</u>
Sewer charges:			
Charges for services	<u>\$ 582,000</u>	<u>\$ 600,666</u>	<u>\$ 18,666</u>
Water and sewer taps	<u>\$ 32,200</u>	<u>\$ 32,200</u>	
Total operating revenues	<u>\$ 1,290,200</u>	<u>\$ 1,326,927</u>	<u>\$ 36,727</u>
Non-operating revenues:			
Interest earnings	<u>\$ 500</u>	<u>\$ 6,458</u>	<u>\$ 5,958</u>
Total revenues	<u>\$ 1,290,700</u>	<u>\$ 1,333,385</u>	<u>\$ 42,685</u>
Operating expenditures:			
Water and sewer administration:			
Salaries and employee benefits	\$ 429,902	\$ 442,438	\$ (12,536)
Outside services	87,260	88,717	(1,457)
Utilities	112,000	103,885	8,115
Telephone	3,500	2,568	932
Repairs and maintenance	123,900	111,880	12,020
Equipment rental	100	100	
Materials and supplies	38,500	31,691	6,809
Office supplies and postage	7,500	5,808	1,692
Advertising	550	605	(55)
Uniforms	2,200	1,320	880
Staff development	1,500	1,188	312
Professional services	30,400	33,660	(3,260)
Safety program and equipment	2,000	1,450	550
Insurance	14,080	13,979	101
Total operating expenditures	<u>\$ 853,392</u>	<u>\$ 839,289</u>	<u>\$ 14,103</u>
Debt service:			
Interest and other charges	\$ 33,640	\$ 33,640	
Principal retirement	328,192	328,192	
Total debt service	<u>\$ 361,832</u>	<u>\$ 361,832</u>	
Capital outlay	<u>\$ 95,000</u>	<u>\$ 91,465</u>	<u>\$ 3,535</u>
Non-operating expenditures			
Economic development incentive	<u>\$ 50,000</u>	<u>\$ 50,000</u>	
Total expenditures	<u>\$ 1,360,224</u>	<u>\$ 1,342,586</u>	<u>\$ 17,638</u>

TOWN OF COLUMBUS, NORTH CAROLINA  
WATER AND SEWER FUND -- SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE YEAR ENDED JUNE 30, 2019

Revenues over (under) expenditures	\$ (69,524)	\$ (9,201)	\$ 60,323
Fund balance appropriated	\$ 69,524		\$ (69,524)
Revenues and fund balance appropriated over (under) expenditures	\$ -	\$ (9,201)	\$ (9,201)

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Capital outlay	\$ 91,465
Depreciation	(227,593)
Principal retirement	328,192
Decrease in compensated absences	(555)
Increase in deferred outflows of resources - pensions	29,264
Increase in net pension liability	(38,755)
Decrease in deferred inflows of resources - pensions	2,021
Total	\$ 184,039
Change in net position	\$ 174,838

## **OTHER SCHEDULES**

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This section contains additional statements required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – Town-Wide Levy

**TOWN OF COLUMBUS, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		\$550,068	\$546,872	\$ 3,196
2017-2018	\$ 7,086		4,647	2,439
2016-2017	2,256		1,386	870
2015-2016	623		21	602
2014-2015	662			662
2013-2014	9			9
2012-2013	923			923
2011-2012	2,187		24	2,163
2010-2011	3,261		35	3,226
2009-2010	3,648			3,648
2008-2009	<u>162</u>	<u></u>	<u>162</u>	<u>-</u>
Totals	<u>\$ 20,817</u>	<u>\$550,068</u>	<u>\$553,147</u>	\$ 17,738
				<u>Less: Allowance for uncollectible accounts</u>
				10,730
				<u>Ad Valorem taxes receivable -- net</u>
				<u>\$ 7,008</u>
				Reconciliation to revenues:
				Ad valorem taxes -- general fund
				\$ 552,286
				Reconciling items:
				Interest collected
				(2,676)
				Discounts allowed
				3,375
				Taxes written off
				<u>162</u>
				Total collections
				<u>\$ 553,147</u>

**TOWN OF COLUMBUS, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY -- TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 124,745,290	0.4446	\$ 554,617	\$ 519,812	\$ 34,805
Discoveries:					
Current year	6,394,134	0.4446	28,428	28,428	
Abatements	<u>(7,417,197)</u>	0.4446	<u>(32,977)</u>	<u>(32,977)</u>	
Total property valuation	<u><u>\$ 123,722,227</u></u>				
Net levy			\$ 550,068	\$ 515,263	\$ 34,805
Uncollected taxes at June 30, 2019			<u>3,196</u>	<u>3,196</u>	
Current year's taxes collected			<u>\$ 546,872</u>	<u>\$ 512,067</u>	<u>\$ 34,805</u>
Current levy collection percentage			<u><u>99.42%</u></u>	<u><u>99.38%</u></u>	<u><u>100.00%</u></u>