

**TOWN OF EAST BEND, NORTH CAROLINA**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**

**TOWN OF EAST BEND, NORTH CAROLINA**

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**TOWN OF EAST BEND, NORTH CAROLINA**

**MEMBERS OF BOARD OF COMMISSIONERS**

Larry Adams  
Wanda Johnson

Kyle Matthews

George Burns  
Mae Luffman

**TOWN OFFICIALS**

Archie Hicks, Jr. .... Mayor

Vickie Matthews..... Town Clerk/Administrator



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**cannon&company**  
Certified Public Accountants L.L.P.

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bend, 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 presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 misstatements.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Bend, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 8 through 15, and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 50 through 51, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 48 and 49, respectively, 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 the 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 Town of East Bend's basic financial statements. The introductory information, combining and individual non-major fund financial 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 combining and individual non-major fund financial 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, the combining and individual non-major fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

*Cannon & Company, S.P.A.*

Winston-Salem, North Carolina  
October 23, 2019

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

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

As management of the Town of East Bend, we offer readers of the Town of East Bend's financial statements this narrative overview and analysis of the financial activities of the Town of East Bend 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 of East Bend's financial statements, which follow this narrative.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of East Bend exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,900,322 (*net position*).
- The government's total net position increased by \$43,320, due to an increase in net position of the governmental fund activities (\$98,142) and a decrease in net position of business-type activities (\$54,822), respectively.
- As of the close of the current fiscal year, the Town of East Bend's governmental fund reported an ending fund balance of \$688,994 with a net increase of \$40,514 in fund balance. Approximately 7.9 percent of this total amount, or \$54,399 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$634,595 or 171.72 percent of total general fund expenditures for the fiscal year.

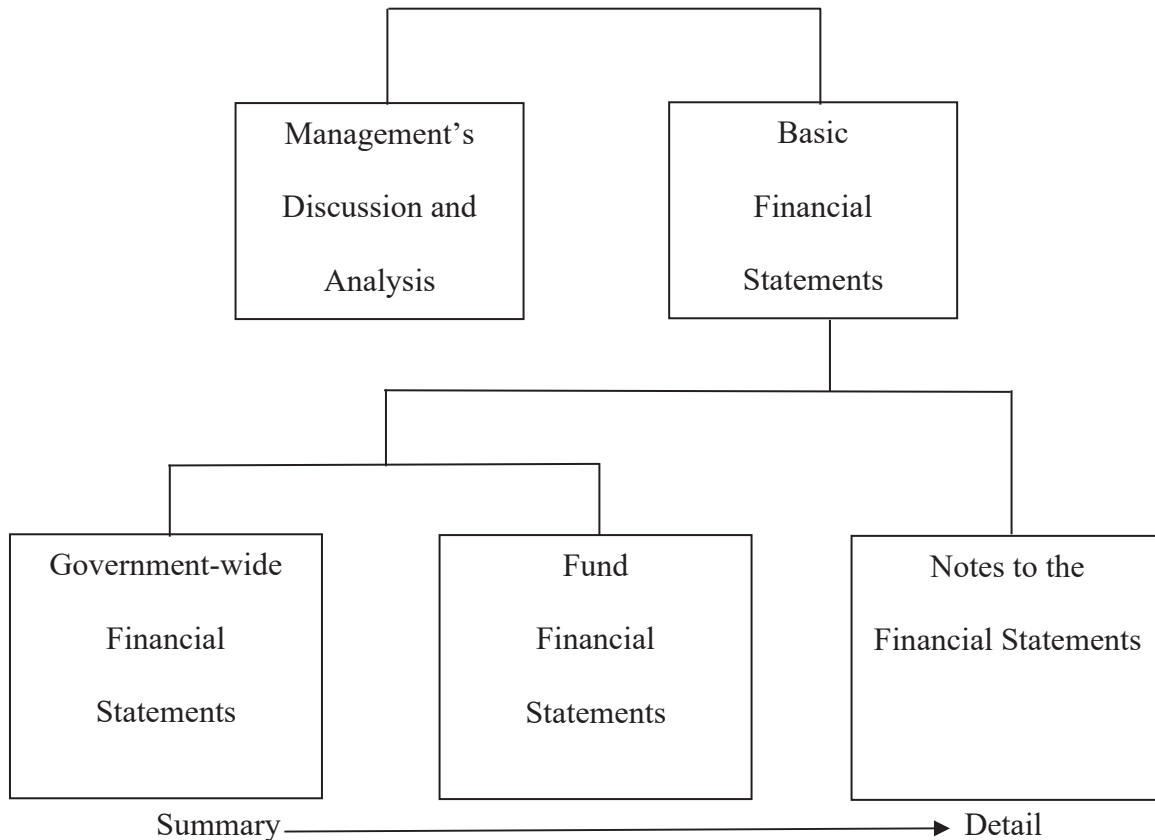
#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of East Bend's basic financial statements. The Town of East Bend'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 East Bend.



### Required Components of Annual Financial Report

Figure 1



#### 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 of East Bend's financial status.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer offered by the Town of East Bend.

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

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

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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Proprietary Funds** – The Town of East Bend has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of East Bend 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 28 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 East Bend's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 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.

**Government-Wide Financial Analysis**

**Town of East Bend's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 725,641	\$ 691,026	\$ 338,726	\$ 328,241	\$ 1,064,367	\$ 1,019,267
Noncurrent assets	-	-	-	-	-	-
Capital assets	237,582	172,736	682,887	734,368	920,469	907,104
Deferred outflows of resources	24,904	14,416	10,856	6,881	35,760	21,297
<b>Total assets and deferred outflows of resources</b>	<b>988,127</b>	<b>878,178</b>	<b>1,032,469</b>	<b>1,069,490</b>	<b>2,020,596</b>	<b>1,947,668</b>
Current liabilities	11,863	9,129	42,694	27,586	54,557	36,715
Long-term liabilities	43,934	32,568	11,900	7,966	55,834	40,534
Deferred inflows of resources	8,101	10,394	1,782	3,023	9,883	13,417
<b>Total liabilities and deferred inflows of resources</b>	<b>63,898</b>	<b>52,091</b>	<b>56,376</b>	<b>38,575</b>	<b>120,274</b>	<b>90,666</b>
<b>Net position:</b>						
Net investment in capital assets	237,582	172,736	682,887	734,368	920,469	907,104
Nonspendable	-	-	-	-	-	-
Restricted	54,399	44,873	-	-	54,399	44,873
Unrestricted	632,248	608,478	293,206	296,547	925,454	905,025
<b>Total net position</b>	<b>\$ 924,229</b>	<b>\$ 826,087</b>	<b>\$ 976,093</b>	<b>\$ 1,030,915</b>	<b>\$ 1,900,322</b>	<b>\$ 1,857,002</b>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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 resources of the Town of East Bend exceeded liabilities and deferred inflows by \$1,900,322 as of June 30, 2019. The Town's net position increased by \$43,320 for the fiscal year ended June 30, 2019. However, the largest portion, 48%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of East Bend uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of East Bend'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 East Bend's net position, \$54,399, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$925,454 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.25%.

**Town of East Bend's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 216	\$ 207	\$ 336,137	\$ 323,454	\$ 336,353	\$ 323,661
Operating grants and contributions	22,218	22,487	-	-	22,218	22,487
General revenues:						
Property taxes	217,905	212,082	-	-	217,905	212,082
Other taxes	152,615	147,813	-	-	152,615	147,813
Other	10,485	7,509	564	(30,216)	11,049	(22,707)
Total revenues	<u>403,439</u>	<u>390,098</u>	<u>336,701</u>	<u>293,238</u>	<u>740,140</u>	<u>683,336</u>
Expenses:						
General government	99,954	101,434	-	-	99,954	101,434
Public safety	126,305	126,563	-	-	126,305	126,563
Highways / Streets	38,778	61,735	-	-	38,778	61,735
Sanitation	34,260	37,009	-	-	34,260	37,009
Culture and recreation	6,000	6,500	-	-	6,000	6,500
Water and sewer	-	-	391,523	326,970	391,523	326,970
Total expenses	<u>305,297</u>	<u>333,241</u>	<u>391,523</u>	<u>326,970</u>	<u>696,820</u>	<u>660,211</u>
Change in net position	98,142	56,857	(54,822)	(33,732)	43,320	23,125
Net position, beginning	826,087	769,230	1,030,915	1,064,647	1,857,002	1,833,877
Net position, June 30	<u>\$ 924,229</u>	<u>\$ 826,087</u>	<u>\$ 976,093</u>	<u>\$ 1,030,915</u>	<u>\$ 1,900,322</u>	<u>\$ 1,857,002</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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**Governmental activities:** Governmental activities increased the Town's net position by \$98,142, thereby accounting for 227% of the total growth in the net position of the Town of East Bend.

**Business-type activities:** Business-type activities decreased the Town's net position by \$54,822.

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

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

**Governmental Funds:** The focus of the Town of East Bend's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of East Bend's financing requirements.

The general fund is the chief operating fund of the Town of East Bend. At the end of the current fiscal year, the Town of East Bend's fund balance available in the General Fund was \$634,595 while total fund balance was \$688,994. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 172 percent of total General Fund expenditures.

At June 30, 2019 the governmental funds of Town of East Bend reported a combined fund balance of \$688,994 with a net increase in fund balance of \$40,514.

**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. The amendments were in various areas of the government and resulted in an increase in total budget amounts.

**Proprietary Funds:** The Town of East Bend's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$293,206. The total change in net position for the Water and Sewer Fund was a decrease of \$54,822. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of East Bend's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town of East Bend's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$920,469 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

**TOWN OF EAST BEND, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

**Town of East Bend's Capital Assets**  
(net of depreciation)

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 151,103	\$ 72,748	\$ 3,350	\$ 3,350	\$ 154,453	\$ 76,098
Buildings	48,670	52,386	8,798	10,181	57,468	62,567
Other improvements	7,092	7,839	665,757	709,545	672,849	717,384
Automotive equipment	18,531	26,775	1,900	5,700	20,431	32,475
Other equipment	12,186	12,988	3,082	5,592	15,268	18,580
<b>Total</b>	<b>\$ 237,582</b>	<b>\$ 172,736</b>	<b>\$ 682,887</b>	<b>\$ 734,368</b>	<b>\$ 920,469</b>	<b>\$ 907,104</b>

Additional information on the Town's capital assets can be found in Note B of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2019, the Town of East Bend had no debt outstanding.

**Town of East Bend's Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 3,362	\$ 1,348	\$ 2,148	\$ 1,936	\$ 5,510	\$ 3,284
Pension related debt (LGERS)	24,160	16,172	11,900	7,966	36,060	24,138
Pension related debt (LEO)	19,774	16,396	-	-	19,774	16,396
Amount due to General Fund	-	-	-	-	-	-
<b>Total</b>	<b>\$ 47,296</b>	<b>\$ 33,916</b>	<b>\$ 14,048</b>	<b>\$ 9,902</b>	<b>\$ 61,344</b>	<b>\$ 43,818</b>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Fiscal Year Ended June 30, 2019

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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 East Bend is \$3,562,204.

Additional information regarding the Town of East Bend's long-term debt can be found in Note B beginning on page 43.

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

- Some new businesses have located in the Town of East Bend. It is anticipated that there will be moderate growth in the Town in the next year.

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

**Governmental Activities:** Property tax rates remained at a rate of \$0.50 per one hundred dollars of assessed taxable valuation of property for the 2019-20 budget year.

**Business – type Activities:** Water and sewer rates are set to increase for 2019-2020 for inside and outside town limits.

**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 Vickie Matthews, Town of East Bend, 108 W. Main Street, East Bend, NC 27018, or 336-699-8560, or fax 336-699-4335 or email [eastbend@yadtel.net](mailto:eastbend@yadtel.net).

## **BASIC FINANCIAL STATEMENTS**



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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 643,068	\$ 265,171	\$ 908,239
Restricted cash and cash equivalents	9,343	10,395	19,738
Taxes receivables (net)	22,955	-	22,955
Accrued interest receivable on taxes	5,191	-	5,191
Accounts receivable (net)	27	63,160	63,187
Due from other governments	45,057	-	45,057
Total current assets	<u>725,641</u>	<u>338,726</u>	<u>1,064,367</u>
Capital assets:			
Land, non-depreciable improvements	151,103	3,350	154,453
Other capital assets, net of depreciation	86,479	679,537	766,016
Total capital assets	<u>237,582</u>	<u>682,887</u>	<u>920,469</u>
Total assets	<u>963,223</u>	<u>1,021,613</u>	<u>1,984,836</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	24,904	10,856	35,760
Total deferred outflows of resources	<u>24,904</u>	<u>10,856</u>	<u>35,760</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	8,501	30,151	38,652
Customer deposits	-	10,395	10,395
Current portion of long-term liabilities	3,362	2,148	5,510
Total current liabilities	<u>11,863</u>	<u>42,694</u>	<u>54,557</u>
Long-term liabilities:			
Net pension liability	24,160	11,900	36,060
Total pension liability	19,774	-	19,774
Total liabilities	<u>55,797</u>	<u>54,594</u>	<u>110,391</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	8,101	1,782	9,883
Total deferred inflows of resources	<u>8,101</u>	<u>1,782</u>	<u>9,883</u>
<b>NET POSITION</b>			
Net investment in capital assets	237,582	682,887	920,469
Restricted for:			
Stabilization by State Statute	45,056	-	45,056
Streets	9,343	-	9,343
Unrestricted	632,248	293,206	925,454
Total net position	<u>\$ 924,229</u>	<u>\$ 976,093</u>	<u>\$ 1,900,322</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 99,954	\$ -	\$ -	\$ -	\$ (99,954)	\$ -	\$ (99,954)
Public safety	126,305	216	-	-	(126,089)	-	(126,089)
Transportation	38,778	-	22,218	-	(16,560)	-	(16,560)
Environmental protection	34,260	-	-	-	(34,260)	-	(34,260)
Cultural and recreation	6,000	-	-	-	(6,000)	-	(6,000)
Total governmental activities	305,297	216	22,218	-	(282,863)	-	(282,863)
Business-type activities:							
Water and sewer	391,523	336,137	-	-	-	(55,386)	(55,386)
Total business-type activities	391,523	336,137	-	-	-	(55,386)	(55,386)
Total primary government	\$ 696,820	\$ 336,353	\$ 22,218	\$ -	(282,863)	(55,386)	(338,249)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					217,905	-	217,905
Grants and contributions not restricted to specific programs					152,615	-	152,615
Unrestricted investment earnings					2,211	564	2,775
Miscellaneous					8,274	-	8,274
Total general revenues and transfers					381,005	564	381,569
Change in net position					98,142	(54,822)	43,320
Net position, beginning					826,087	1,030,915	1,857,002
Net position, ending					\$ 924,229	\$ 976,093	\$ 1,900,322

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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

	<b>Major Fund General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 643,068	\$ 643,068
Restricted cash and cash equivalents	9,343	9,343
Taxes receivable, net	44,108	44,108
Other receivables	27	27
Due from other governments	45,057	45,057
Total assets	<u>741,603</u>	<u>741,603</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	8,501	8,501
Total liabilities	<u>8,501</u>	<u>8,501</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	44,108	44,108
Total deferred inflows of resources	<u>44,108</u>	<u>44,108</u>
<b>FUND BALANCES</b>		
Restricted:		
Stabilization by State Statute	45,056	45,056
Streets	9,343	9,343
Unassigned	634,595	634,595
Total fund balances	<u>688,994</u>	<u>688,994</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 741,603</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 571,155	
Accumulated depreciation	<u>(333,573)</u>	237,582

Deferred outflows of resources related to pensions are not reported in the funds 24,904

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	5,191
Earned revenues considered deferred inflows of resources in fund statements	22,955
Net pension liability	(24,160)
Total pension liability	(19,774)
Deferred inflows of resources related to pensions are not reported in the funds	(8,101)
Liabilities for compensated absences are not due and payable in the current period and therefore are not included in the fund statements	<u>(3,362)</u>
Net position of governmental activities	<u>\$ 924,229</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>
		<u>Funds</u>
<b>REVENUES</b>		
Ad valorem taxes	\$ 224,528	\$ 224,528
Unrestricted intergovernmental	152,615	152,615
Restricted intergovernmental	22,218	22,218
Investment earnings	2,211	2,211
Miscellaneous	8,490	8,490
Total revenues	<u>410,062</u>	<u>410,062</u>
<b>EXPENDITURES</b>		
Current:		
General government	172,805	172,805
Public safety	119,326	119,326
Transportation	37,035	37,035
Environmental protection	34,382	34,382
Cultural and recreation	6,000	6,000
Total expenditures	<u>369,548</u>	<u>369,548</u>
Excess of revenues over expenditures	<u>40,514</u>	<u>40,514</u>
Net change in fund balance	40,514	40,514
Fund balances, beginning	<u>648,480</u>	<u>648,480</u>
Fund balances, ending	<u>\$ 688,994</u>	<u>\$ 688,994</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$ 40,514
<p>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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 81,637	
Depreciation expense for governmental assets	<u>(16,790)</u>	64,847
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		7,700
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in:		
Unavailable revenue for tax revenues		(6,299)
Interest on taxes receivable and loan		(321)
<p>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</p>		
Change in compensated absences		(2,014)
Pension expense		<u>(6,285)</u>
Total changes in net position of governmental activities		<u>\$ 98,142</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Year Ended June 30, 2019

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 201,155	\$ 201,155	\$ 224,528	\$ 23,373
Unrestricted intergovernmental	128,800	128,800	152,615	23,815
Restricted intergovernmental	22,000	22,000	22,218	218
Investment earnings	-	-	2,211	2,211
Miscellaneous	800	800	8,490	7,690
<b>Total revenues</b>	<b>352,755</b>	<b>352,755</b>	<b>410,062</b>	<b>57,307</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	110,436	190,436	172,805	17,631
Public safety	145,812	145,812	119,326	26,486
Transportation	56,540	56,540	37,035	19,505
Environmental protection	33,967	35,967	34,382	1,585
Cultural and recreation	6,000	6,000	6,000	-
<b>Total expenditures</b>	<b>352,755</b>	<b>434,755</b>	<b>369,548</b>	<b>65,207</b>
Revenues over expenditures	-	(82,000)	40,514	122,514
<b>Other financing sources:</b>				
Fund balance appropriated	-	82,000	-	(82,000)
<b>Total other financing sources</b>	<b>-</b>	<b>82,000</b>	<b>-</b>	<b>(82,000)</b>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>-</u>	<u>40,514</u>	<u>\$ 40,514</u>
Net change in fund balance			40,514	
Fund balances, beginning			<u>648,480</u>	
Fund balances, ending			<u>\$ 688,994</u>	

**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2019

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 265,171
Restricted cash and cash equivalents	10,395
Accounts receivable (net) - billed	53,989
Accounts receivables (net) - unbilled	<u>9,171</u>
Total current assets	<u>338,726</u>
Noncurrent assets:	
Capital assets:	
Land	3,350
Other capital assets, net of depreciation	<u>679,537</u>
Capital assets	<u>682,887</u>
Total noncurrent assets	<u>682,887</u>
Total assets	<u><u>\$ 1,021,613</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 10,856
Total deferred outflows of resources	<u>\$ 10,856</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 30,151
Customer deposits	10,395
Compensated absences - current	<u>2,148</u>
Total current liabilities	<u>42,694</u>
Noncurrent liabilities:	
Net pension liability	<u>11,900</u>
Total liabilities	<u>54,594</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	<u>1,782</u>
<b>NET POSITION</b>	
Net investment in capital assets	682,887
Unrestricted	<u>293,206</u>
Total net position	<u><u>\$ 976,093</u></u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Water and sewer charges	\$ 326,027
Other operating revenues	10,110
<b>Total operating revenues</b>	<u>336,137</u>
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Water department	302,248
Sewer department	37,795
Depreciation	51,480
<b>Total operating expenses</b>	<u>391,523</u>
<b>Operating income</b>	<u>(55,386)</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	564
<b>Total nonoperating revenues</b>	<u>564</u>
<b>Change in net position</b>	(54,822)
<b>Total net position, previously reported</b>	<u>1,030,915</u>
<b>Total net position, ending</b>	<u>\$ 976,093</u>



**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended June 30, 2019

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 325,241
Cash paid for goods and services	(277,898)
Cash paid to or on behalf of employees for services	(49,193)
Customer deposits received	3,300
Customer deposits returned	(2,425)
Other operating revenues	10,110
Net cash provided by operating activities	<u>9,135</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Asset additions	-
Funds paid to General Fund	-
Net cash used by capital and related financing activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>563</u>
Net cash provided by investing activities	<u>563</u>
Net increase in cash and cash equivalents	9,698
Balances, beginning	<u>265,868</u>
Balances, ending	<u>\$ 275,566</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2019

	<b>Water and Sewer Fund</b>
Reconciliation of operating earnings to net cash provided by operating activities	
Operating earnings	\$ (55,386)
Adjustments to reconcile operating earnings to net cash provided by operating activities:	
Depreciation	51,480
Changes in assets and liabilities:	
Increase in accounts receivable	(787)
Increase in deferred outflows of resources - pensions	(3,975)
Increase in net pension liability	3,934
Decrease in deferred inflows of resources - pensions	(1,241)
Increase in accounts payable and accrued liabilities	14,023
Increase in customer deposits	875
Increase in accrued vacation pay	212
Total adjustments	<u>64,521</u>
Net cash provided by operating activities	<u>\$ 9,135</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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

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

**Reporting Entity**

The Town of East Bend is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. There were no component units for which the Town was financially accountable at June 30, 2019.

**Basis of Presentation**

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

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

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

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

The Town's governmental fund is the General Fund which 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's enterprise fund is the Water and Sewer Fund which is used to account for the Town's water and sewer operations.

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of East Bend because the tax is levied by Yadkin 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.

**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 and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, some amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

**Deposits and Investments**

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

State law [G. S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

**Cash and Cash Equivalents**

The Town pools money from the general fund and the water and sewer fund to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

Cash in the Water and Sewer Fund is restricted in the amount of \$10,395 for customer deposits. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Restricted cash relating to Powell Bill funds totaled \$9,343 at June 30, 2019.

**Ad Valorem Taxes Receivable**

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

**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.

**Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20-40 years
Other improvements	5-40 years
Automotive equipment	5 years
Other equipment	3-10 years

**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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

expenditure until then. The Town has one item that meets this criterion which is 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 meet the criterion for this category - property taxes receivable and pension deferrals.

**Long Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**Compensated Absences**

The vacation policy of the Town provides for an accumulation of up to 80 hours 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 had been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Position/Fund Balances**

**Net Position**

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

The governmental fund types classify fund balances as follows:

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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

Assigned Fund Balance - portion of fund balance that the Town of East Bend intends to use for specific purposes.

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

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

**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 East Bend's employer contributions are recognized when due and the Town 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.



**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS**

**Assets**

**Deposits**

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

At June 30, 2019, the Town’s deposits had a carrying amount of \$927,617 and a bank balance of \$939,515. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method. At June 30, 2019, the Town’s petty cash fund totaled \$360.

**Receivables – Allowances for Doubtful Accounts**

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

General Fund - taxes receivable	\$ 21,153
Enterprise Fund - accounts receivable	<u>1,105</u>
Total	<u>\$ 22,258</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

**Capital Assets**

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	\$ 72,748	78,355	-	\$ 151,103
Total capital assets not being depreciated	<u>72,748</u>	<u>78,355</u>	<u>-</u>	<u>151,103</u>
<b>Capital assets being depreciated:</b>				
Buildings	161,064	-	-	161,064
Other improvements	36,059	-	-	36,059
Automotive equipment	157,703	-	24,146	133,557
Other equipment	86,090	3,282	-	89,372
Total capital assets being depreciated	<u>440,916</u>	<u>3,282</u>	<u>24,146</u>	<u>420,052</u>
<b>Less accumulated depreciation for:</b>				
Buildings	108,679	3,715	-	112,394
Other improvements	28,221	746	-	28,967
Automotive equipment	130,927	8,245	24,146	115,026
Other equipment	73,101	4,085	-	77,186
Total accumulated depreciation	<u>340,928</u>	<u>16,791</u>	<u>24,146</u>	<u>333,573</u>
Total capital assets being depreciated, net	<u>99,988</u>			<u>86,479</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 172,736</u></u>			<u><u>\$ 237,582</u></u>

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

General government	\$ 5,413
Public safety	9,592
Transportation	1,786
Total depreciation expense	<u><u>\$ 16,791</u></u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,350	\$ -	\$ -	\$ 3,350
Total capital assets not being depreciated	3,350	-	-	3,350
<b>Capital assets being depreciated:</b>				
Building	97,836	-	-	97,836
Water and sewer system	1,449,271	-	-	1,449,271
Automotive equipment	19,000	-	-	19,000
Other equipment	56,555	-	-	56,555
Total capital assets being depreciated	1,622,662	-	-	1,622,662
<b>Less accumulated depreciation for:</b>				
Building	87,655	1,383	-	89,038
Water and sewer system	739,726	43,788	-	783,514
Automotive equipment	13,300	3,800	-	17,100
Other equipment	50,963	2,510	-	53,473
Total accumulated depreciation	891,644	51,481	-	943,125
Total capital assets being depreciated, net	731,018			679,537
<b>Water and Sewer fund capital assets, net</b>	<b>734,368</b>			<b>682,887</b>
<b>Business-type activity capital assets, net</b>	<b>\$ 734,368</b>			<b>\$ 682,887</b>

**Liabilities**

**Pension Plan and Postemployment Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description.** The Town of East Bend 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 governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of East Bend employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of East Bend's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.87% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of East Bend were \$11,201 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.

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

At June 30, 2019, the Town reported a liability of \$36,060 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, the Town’s proportion was 0.00152% which was a decrease of 0.00006% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$7,317. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,563	\$ 187
Changes of assumptions	9,569	-
Net difference between projected and actual earnings on pension plan investments	4,950	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,614	5,213
Town contributions subsequent to the measurement date	11,201	-
Total	<u>\$ 32,897</u>	<u>\$ 5,400</u>

\$11,201 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2020	\$ 7,542
2021	5,165
2022	312
2023	3,277
2024	-
Thereafter	-

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

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

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

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

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 EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (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 asset to changes in the discount rate.* The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 86,618	\$ 36,060	\$ (6,188)

**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.

**Law Enforcement Officers’ Special Separation Allowance**

**Plan Description**

The Town of East Bend 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.



**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>2</u>
Total	<u><u>2</u></u>

**Summary of Significant Accounting Policies**

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

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

**Actuarial Assumptions**

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

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

**Contributions**

The Town is required by Article 12D of 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



**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. No benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$19,774. 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 \$1,186.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,160	\$ 3,449
Changes of assumptions	703	1,034
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 2,863</u>	<u>\$ 4,483</u>

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

**Year ended June 30:**

2020	\$ (473)
2021	(473)
2022	(473)
2023	(473)
2024	83
Thereafter	189

**Sensitivity of the Town's total pension liability to changes in the discount rate**

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

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 21,505	\$ 19,774	\$ 18,148

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

	<u>2019</u>
Beginning balance	\$ 16,396
Service cost	1,141
Interest on the total pension liability	518
Changes of benefit terms	-
Differences between expected and actual experience in the measurements of the total pension liability	2,537
Changes in assumptions or other inputs	(818)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 19,774</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 EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – 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	\$ 7,317	\$ 1,186	\$ 8,503
Pension liability	36,060	19,774	55,834
Proportionate share of the net pension liability	0.00152%	n/a	
Deferred outflow of resources			
Differences between expected and actual experience	5,563	2,160	7,723
Changes in assumptions	9,569	703	10,272
Net difference between projected and actual earnings on plan investments	4,950	-	4,950
Changes in proportion and differences between contributions and proportionate share of contributions	1,614	-	1,614
Benefit payments and administrative costs paid subsequent to the measurement date	11,201	-	11,201
			-
Deferred inflows of resources			
Differences between expected and actual experience	187	3,449	3,636
Changes of assumptions	-	1,034	1,034
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,213	-	5,213

**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 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. The 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 EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – 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 also make voluntary contributions to the plan.

The town made contributions of \$3,156 for the reporting year. No amounts were forfeited.

**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 month’s 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 a death benefit payment is 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 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.

**Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan in current fiscal year	\$ 11,201
Differences between expected and actual experience	7,723
Changes of assumptions	10,272
Net difference between projected and actual earnings on pension plan investments	4,950
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,614
Total	\$ 35,760

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

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**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 44,108
Changes in assumptions	1,034	-
Differences between expected and actual experience	3,636	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,213	-
Total	<u>\$ 9,883</u>	<u>\$ 44,108</u>

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has property, general liability, auto liability, worker’s compensation and employee health coverages. The finance officer is individually bonded for \$50,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The Town does not carry flood insurance as the Town limits are not in a designated flood area.

**Long-Term Obligations**

At June 30, 2019, the Town had long-term obligations consisting of compensated absences. The Town has a legal debt margin of \$3,562,204.

**TOWN OF EAST BEND, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2019

**NOTE B – DETAIL NOTES ON ALL FUNDS (CONTINUED)**

Changes in Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,348	\$ 2,014	\$ -	\$ 3,362	\$ 3,362
Net pension liability (LGERS)	16,172	7,988	-	24,160	-
Total pension liability (LEO)	<u>16,396</u>	<u>3,378</u>	<u>-</u>	<u>19,774</u>	<u>-</u>
	<u>\$ 33,916</u>	<u>\$ 13,380</u>	<u>\$ -</u>	<u>\$ 47,296</u>	<u>\$ 3,362</u>
Business-type activities:					
Compensated absences	\$ 1,936	\$ 212	\$ -	\$ 2,148	\$ 2,148
Net pension liability (LGERS)	7,966	3,934	-	11,900	-
Total business-type activities	<u>\$ 9,902</u>	<u>\$ 4,146</u>	<u>\$ -</u>	<u>\$ 14,048</u>	<u>\$ 2,148</u>
Total long-term obligations	<u>\$ 11,250</u>	<u>\$ 6,160</u>	<u>\$ -</u>	<u>\$ 17,410</u>	<u>\$ 5,510</u>

**NOTE C – JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with twelve counties and seventy-three other municipalities established the Piedmont Triad Regional Council (PTRC). The participating governments established the PTRC to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the PTRC's governing board. The Town paid membership fees of \$650 to PTRC during the fiscal year ended June 30, 2019.

**REQUIRED SUPPLEMENTARY  
FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**TOWN OF EAST BEND, NORTH CAROLINA**  
**TOWN OF EAST BEND'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Last Six Fiscal Years\*

<b>Local Government Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town of East Bend's proportion of the net pension liability (asset) (%)	0.00152%	0.00158%	0.00251%	0.00257%	0.00301%	0.00300%
Town of East Bend's proportion of the net pension liability (asset) (\$)	\$ 36,060	\$ 24,138	\$ 53,270	\$ 11,535	\$ (17,751)	\$ 36,162
Town of East Bend's covered payroll	\$ 159,717	\$ 155,798	\$ 172,576	\$ 159,697	\$ 122,403	\$ 127,581
Town of East Bend's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	22.58%	15.49%	30.87%	7.22%	-14.50%	28.34%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	102.64%

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

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



**TOWN OF EAST BEND, NORTH CAROLINA**  
TOWN OF EAST BEND'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
Last Six Fiscal Years

<b>Local Government Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 11,201	\$ 10,154	\$ 9,268	\$ 8,959	\$ 8,971	\$ 8,791
Contributions in relation to the contractually required contribution	<u>11,201</u>	<u>10,154</u>	<u>9,268</u>	<u>8,959</u>	<u>8,971</u>	<u>8,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of East Bend's covered-employee payroll	\$ 156,885	\$ 159,717	\$ 155,798	\$ 172,576	\$ 159,697	\$ 122,403
Contributions as a percentage of covered-employee payroll	7.14%	6.36%	5.95%	5.19%	5.62%	7.18%

**TOWN OF EAST BEND, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
 June 30, 2019

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 16,396	\$ 19,094	\$ 17,774
Service cost	1,141	599	1,275
Interest on the total pension liability	518	737	635
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement	2,537	(5,065)	-
Changes of assumptions or other inputs	(818)	1,031	(590)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 19,774</u>	<u>\$ 16,396</u>	<u>\$ 19,094</u>

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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
 June 30, 2019

<b>Law Enforcement Officers' Special Separation Allowance</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 19,774	\$ 16,396	\$ 19,094
Covered payroll	67,661	68,040	66,423
Total pension liability as a percentage of covered payroll	29.23%	24.10%	28.75%

Notes to the schedules:

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

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS SECTION**

**TOWN OF EAST BEND, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year, net of discounts		\$ 205,278	
Prior years		15,722	
Penalties and interest		3,528	
Total	<u>201,155</u>	<u>224,528</u>	<u>23,373</u>
Unrestricted intergovernmental:			
Local option sales taxes		104,476	
Telecommunications sales tax		10,745	
Utility franchise tax		30,780	
Video franchise fee		3,622	
Solid waste disposal fee		417	
Beer and wine tax		2,575	
Total	<u>128,800</u>	<u>152,615</u>	<u>23,815</u>
Restricted intergovernmental:			
Powell Bill allocation	<u>22,000</u>	<u>22,218</u>	<u>218</u>
Investment earnings		<u>2,211</u>	<u>2,211</u>
Other revenues:			
Cablevision fees		1,099	
Court Fees		216	
Miscellaneous		7,175	
Total	<u>800</u>	<u>8,490</u>	<u>7,690</u>
Total revenues	<u>352,755</u>	<u>410,062</u>	<u>57,307</u>

(continued)

**TOWN OF EAST BEND, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries		30,940	
Employee benefits		9,405	
Professional services		18,727	
Board of elections		500	
Telephone and postage		2,104	
Utilities		2,222	
Christmas lights		763	
Annual benefits		675	
Advertising		423	
Supplies and materials		1,814	
Dues and subscriptions		1,831	
Insurance and bonds		10,900	
Computer software fees		6,881	
Security		163	
Economic development		125	
League service fee		1,221	
Other departmental		208	
	<u>101,582</u>	<u>88,902</u>	<u>12,680</u>
Total Administration			
Public Buildings:			
Salaries		1,657	
Employee benefits		662	
Building maintenance		565	
Grounds maintenance		1,540	
Contracted services		960	
Security		164	
Capital outlay		78,355	
	<u>88,854</u>	<u>83,903</u>	<u>4,951</u>
Total Public Buildings			
Total General Government	<u>190,436</u>	<u>172,805</u>	<u>17,631</u>

(continued)

**TOWN OF EAST BEND, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Salaries		67,660	
Employee benefits		29,375	
Computer software fees		2,763	
Telephone and postage		2,918	
Advertising		42	
Automotive supplies		6,392	
Other supplies		3,191	
Uniforms		2,880	
Security		160	
Other departmental		663	
Capital outlay		3,282	
		<u>119,326</u>	
Total public safety	<u>145,812</u>	<u>119,326</u>	<u>26,486</u>
<b>Expenditures (continued):</b>			
Transportation:			
Street department:			
Salaries		1,986	
Employee benefits		687	
Utilities		11,256	
Maintenance and repair		1,651	
Supplies and materials		1,154	
Contracted services		631	
Sidewalks		4,620	
		<u>21,985</u>	
	<u>34,540</u>	<u>21,985</u>	<u>12,555</u>
Powell Bill:			
Contracted services		13,650	
Sidewalks		1,400	
	<u>22,000</u>	<u>15,050</u>	<u>6,950</u>
Total transportation	<u>56,540</u>	<u>37,035</u>	<u>19,505</u>

(continued)

**TOWN OF EAST BEND, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Sanitation:			
Salaries		3,313	
Employee benefits		1,325	
Contract labor		5,260	
Maintenance and repair		25	
Automotive and other supplies		1,930	
Landfill fees		12,569	
Supplies and materials		60	
Recycling fees		9,900	
Total environmental protection	<u>35,967</u>	<u>34,382</u>	<u>1,585</u>
Cultural and recreation:			
Library		4,500	
School		500	
Small town celebration		1,000	
Total	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total expenditures	<u>434,755</u>	<u>369,548</u>	<u>65,207</u>
Revenues over (under) expenditures	<u>(82,000)</u>	<u>40,514</u>	<u>122,514</u>
Other financing sources:			
Fund balance appropriated	<u>82,000</u>	<u>-</u>	<u>(82,000)</u>
Total other financing sources	<u>82,000</u>	<u>-</u>	<u>(82,000)</u>
Revenues and other financing sources over expenditures and other uses	<u>-</u>	<u>40,514</u>	<u>\$ 40,514</u>
Less debt payment		<u>-</u>	
Net increase in fund balance		40,514	
Fund balances, beginning as previously reported		<u>648,480</u>	
Fund balances, ending		<u>\$ 688,994</u>	



**TOWN OF EAST BEND, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water charges		\$ 305,121	
Sewer charges		19,978	
Water reconnection and penalties		8,410	
Other operating revenues		1,700	
Total operating revenues	284,500	335,209	50,709
Nonoperating revenues:			
Interest earnings		564	564
		564	564
Total revenues	284,500	335,773	51,273
<b>Expenditures:</b>			
Water:			
Salaries		51,149	
Employee benefits		24,440	
Dues and subscriptions		1,623	
Professional services		8,575	
Telephone and postage		2,888	
Utilities		554	
County water		193,153	
Maintenance and repairs		7,953	
Automotive supplies		1,821	
Supplies and materials		3,403	
Uniforms		592	
Insurance and bonds		5,388	
Security		162	
Other operating expenditures		1,616	
Total water operations	330,830	303,317	27,513
Sewer:			
Professional fees		9,141	
Telephone and postage		905	
Utilities		6,053	
Repairs and maintenance		6,991	
Supplies and chemicals		1,760	
Contracted services		11,823	
Permits		960	
Security		162	
Total sewer operations	38,670	37,795	875

(continued)

**TOWN OF EAST BEND, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP) (CONTINUED)**  
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Expenditures (continued):</b>			
Total expenditures	<u>369,500</u>	<u>341,112</u>	<u>28,388</u>
Revenues over (under) expenditures	<u>(85,000)</u>	<u>(5,339)</u>	<u>79,661</u>
Other financing sources (uses)			
Fund balance appropriated	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (5,339)</u>	<u>\$ (5,339)</u>

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

Revenues and other sources over expenditures and other uses	\$ (5,339)
Reconciling items:	
Depreciation	(51,480)
Increase in accounts receivable, net of allowance for doubtful accounts	927
Increase in accrued vacation pay	(212)
Increase in deferred outflows of resources - pension	3,975
Decrease in net pension liability	(3,934)
Increase in deferred inflows of resources - pensions	1,241
Total reconciling items	<u>(49,483)</u>
Change in net position	<u>\$ (54,822)</u>

## **OTHER SCHEDULES**

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This section contains additional information on property taxes.

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

**TOWN OF EAST BEND, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 222,855	\$ 212,279	\$ 10,576
2017-2018	15,309	-	5,649	9,660
2016-2017	8,531	-	5,425	3,106
2015-2016	6,421	-	2,423	3,998
2014-2015	2,171	-	884	1,287
2013-2014	8,210	-	823	7,387
2012-2013	4,055	-	422	3,633
2011-2012	1,723	-	79	1,644
2010-2011	1,012	-	40	972
2009-2010	1,845	-	-	1,845
2008-2009	1,229	-	1,229	-
	<u>\$ 50,506</u>	<u>\$ 222,855</u>	<u>\$ 229,253</u>	<u>44,108</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>21,153</u>
Ad valorem taxes receivable - net				<u>\$ 22,955</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 224,528
Reconciling items:				
Interest collected				(3,528)
Discounts and collection fees				6,784
Adjustments prior year taxes				-
Taxes written off				<u>1,469</u>
Total collections and credits				<u>\$ 229,253</u>

**TOWN OF EAST BEND, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
For the Fiscal Year Ending June 30, 2019

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy: Property taxed at current year's rate	\$ 44,570,801	0.50	\$ 222,855	\$ 199,279	\$ 23,576
Discoveries	-		-	-	-
Abatements	(43,252)		(216)	(216)	-
Total property valuation	<u>\$ 44,527,549</u>				
Net levy			222,639	199,063	23,576
Uncollected taxes at June 30, 2018			(10,576)	(10,576)	-
Current year's taxes collected			<u>\$ 212,063</u>	<u>\$ 188,487</u>	<u>\$ 23,576</u>
Current levy collection percentage			<u>95.25%</u>	<u>94.69%</u>	<u>100.00%</u>