

**TOWN OF JEFFERSON  
NORTH CAROLINA  
AUDIT REPORT  
JUNE 30, 2019**

***Priscilla L. Norris, CPA***

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# TOWN OF JEFFERSON NORTH CAROLINA

## TOWN COUNCIL MEMBERS

Bluferd Eldreth, Mayor  
Charles Caudill  
Cathy Ballou  
Mark Johnston  
Wes Williams  
Max Yates

## ADMINISTRATIVE & FINANCIAL STAFF

Cathy Howell, Town Manager & Tax Collector  
Anna Brooks, Finance Officer

# *Priscilla L. Norris, CPA*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Board of Aldermen  
Town of Jefferson, 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 Jefferson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Jefferson's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jefferson as of June 30, 2019, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of Net Pension Asset and Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 consists 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 Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of the Town of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jefferson's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Priscilla L. Norris". The signature is written in black ink and is positioned above a horizontal line.

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Priscilla L. Norris, CPA  
Jefferson, NC  
November 1, 2019

**TOWN OF JEFFERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

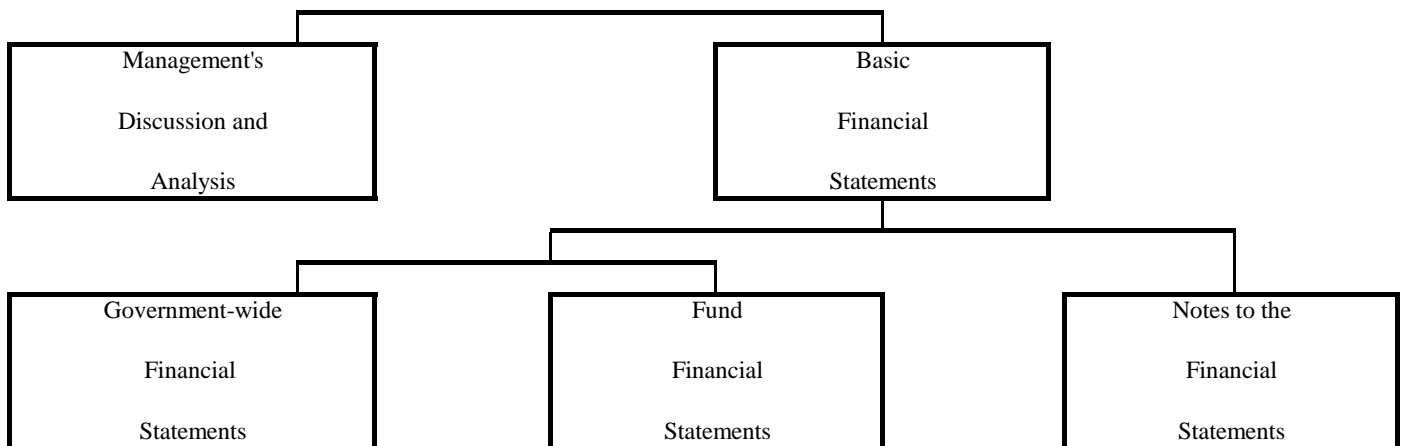
**Financial Highlights**

- \* The assets (and deferred outflows of resources) of The Town of Jefferson exceeded its liabilities (and deferred inflows of resources) at the close of the fiscal year by \$14,249,175 (net position).
- \* The government's total net position increased by \$375,582, which was due to increases in the governmental activities net position of \$51,825 plus an increase in business - type activities (water & sewer) of \$323,757.
- \* As of the close of the current fiscal year, the Town of Jefferson's governmental funds reported combined ending fund balances of \$2,915,457, an increase of \$52,993 in comparison with the prior year. Approximately 64.73% of this total amount, or \$1,887,115, is available for spending at the government's discretion (unassigned fund balance).
- \* At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,887,115 or 175.79% of total General Fund expenditures (\$1,073,524 excluding transfers out) for the fiscal year.
- \* The Town had no debt this fiscal year.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report  
Figure 1**



Summary ----- Detail

**Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.



**TOWN OF JEFFERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

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

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar to the 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, transportation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Jefferson.

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 Jefferson, 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 Jefferson can be divided into two categories: governmental funds and proprietary funds.

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

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

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

**TOWN OF JEFFERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Notes to the Financial Statements** - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in Exhibit 9 of this report.

**Interdependence with Other Entities** - The Town of Jefferson depends on financial resources flowing from, or associated with, 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 State laws and State appropriations.

**Government-Wide Financial Analysis**

**Town of Jefferson Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,030,090	\$ 2,976,273	\$ 5,586,004	\$ 5,019,034	\$ 8,616,094	\$ 7,995,307
Capital assets	559,201	562,893	5,424,745	5,661,181	5,983,946	6,224,074
Deferred outflows of resources	119,954	76,994	73,643	53,950	193,597	130,944
Total assets and deferred outflows of resources	\$ 3,709,245	\$ 3,616,160	\$ 11,084,392	\$ 10,734,165	\$ 14,793,637	\$ 14,350,325
Long-term liabilities outstanding	\$ 306,493	\$ 281,380	\$ 77,465	\$ 55,871	\$ 383,958	\$ 337,251
Other liabilities	46,884	41,274	94,653	88,596	141,537	129,870
Deferred inflows of resources	18,566	8,029	401	1,582	18,967	9,611
Total liabilities and deferred inflows of resources	\$ 371,943	\$ 330,683	\$ 172,519	\$ 146,049	\$ 544,462	\$ 476,732
Net position:						
Net investment in capital assets	\$ 559,201	\$ 562,893	\$ 5,424,745	\$ 5,661,181	\$ 5,983,946	\$ 6,224,074
Restricted	202,780	195,217			202,780	195,217
Unrestricted	2,575,321	2,527,367	5,487,128	4,926,935	8,062,449	7,454,302
Total net position	\$ 3,337,302	\$ 3,285,477	\$ 10,911,873	\$ 10,588,116	\$ 14,249,175	\$ 13,873,593

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 Jefferson exceeded liabilities (and deferred inflows of resources) by \$14,249,175, as of June 30, 2019. The Town's net position increased by \$375,582 for the fiscal year ended June 30, 2019. The largest portion (42.00%) of net position at June 30, 2019, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Jefferson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Jefferson'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 Jefferson's net position, \$202,780 (1.42%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,062,449 is unrestricted.

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

- \* No debt.
- \* Increase in property tax revenue due to one cent rate increase.
- \* The tax collection percentage from 94.78% to 95.12%.
- \* Both the governmental and business - type activities had increases in net position (\$375,582 in total).
- \* Increase in water and sewer revenues due to new apartment buildings.

**TOWN OF JEFFERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,259	\$ 3,454	\$ 899,650	\$ 817,007	\$ 902,909	\$ 820,461
Operating grants & contributions	53,771	54,138			53,771	54,138
Capital grants and contributions						
General revenues:						
Property taxes	611,583	575,935			611,583	575,935
Unrestricted intergovernmental Grants and contributions not restricted to specific programs	663,535	624,575			663,535	624,575
Other	43,798	46,397	60,323	23,580	104,121	69,977
Total revenues	<u>\$ 1,375,946</u>	<u>\$ 1,304,499</u>	<u>\$ 959,973</u>	<u>\$ 840,587</u>	<u>\$ 2,335,919</u>	<u>\$ 2,145,086</u>
<b>Expenses:</b>						
General government	\$ 285,461	\$ 281,678	\$ -	\$ -	\$ 285,461	\$ 281,678
Public safety	447,750	361,681			447,750	361,681
Highways/streets	242,135	316,839			242,135	316,839
Sanitation	101,101	66,967			101,101	66,967
Cultural and recreation	3,079	3,681			3,079	3,681
Economic development					-	-
Water and sewer			880,811	867,163	880,811	867,163
Total expenses	<u>\$ 1,079,526</u>	<u>\$ 1,030,846</u>	<u>\$ 880,811</u>	<u>\$ 867,163</u>	<u>\$ 1,960,337</u>	<u>\$ 1,898,009</u>
Increase in net position before transfers	296,420	237,653	79,162	(26,576)	375,582	247,077
Transfers	(244,595)	(227,628)	244,595	227,628		-
Increase in net position	<u>\$ 51,825</u>	<u>\$ 46,025</u>	<u>\$ 323,757</u>	<u>\$ 201,052</u>	<u>\$ 375,582</u>	<u>\$ 247,077</u>
Net position, July 1	<u>3,285,477</u>	<u>3,239,452</u>	<u>10,588,116</u>	<u>10,387,064</u>	<u>13,873,593</u>	<u>13,626,516</u>
Net position, June 30	<u>\$ 3,337,302</u>	<u>\$ 3,285,477</u>	<u>\$ 10,911,873</u>	<u>\$ 10,588,116</u>	<u>\$ 14,249,175</u>	<u>\$ 13,873,593</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$51,825. This increase is compared to an increase of \$46,025 in the previous year. Key elements of this increase are as follows:

- \* Unrestricted intergovernmental revenues increased by \$38,960, and property tax revenues increased by \$35,648. The property tax rate increased by one cent.
- \* Expenses increased by \$48,680.
- \* The Town transfers half of its local option sales tax from the General fund to the water and sewer fund. These transfers increased by \$16,967.

**Business-type activities:** Business-type activities increased the Town of Jefferson's net position by \$323,757. This increase is compared to the prior year increase of \$201,052. Key elements of this difference are:

- \* Revenues increased by \$82,643, due to the addition of apartment buildings.
- \* Expenses increased by only \$13,648.
- \* The Town transfers approximately half of its Local Option Sales Taxes received to the Water and Sewer Fund for operating purposes. The total transferred this year was \$244,595, and increase of \$16,967 over the prior year.

**TOWN OF JEFFERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**Governmental Funds.** The focus of the Town of Jefferson'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 Jefferson's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Jefferson. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,887,115, while total fund balance was \$2,734,033. 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, which are \$1,073,524. Unassigned fund balance represents 175.79 percent of total General Fund expenditures, while total fund balance represents 254.68 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of Jefferson reported a combined fund balance of \$2,915,457, a 1.85 percent increase compared to last year. The fund balance in the General Fund increased by \$45,016, while non-major funds increased \$7,977 in total.

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

Revenues were more than budgeted because the Town received more intergovernmental revenues than expected. Expenditures held steady to comply with its budgetary requirements.

**Proprietary Fund:** The Town of Jefferson's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,487,128. The total change in net position was \$323,757. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Jefferson's business-type activities.

**Capital Asset and Debt Administration**

**Capital assets:** The Town of Jefferson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,983,946 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions and deletions:

- \* One 2019 Ford Taurus Interceptor Police Car
- \* No Disposals

**TOWN OF JEFFERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Town of Jefferson Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 170,200	\$ 170,200	\$ 215,245	\$ 215,245	\$ 385,445	\$ 385,445
Buildings and system	263,000	271,804	5,151,259	5,362,758	5,414,259	5,634,562
Improvements other than buildings	31,397	33,882	-	-	31,397	33,882
Machinery and equipment	14,349	16,740	35,482	49,323	49,831	66,063
Infrastructure						
Vehicles and motorized equipment	80,255	70,267	22,757	33,853	103,012	104,120
Construction in progress						
<b>Total</b>	<b>\$ 559,201</b>	<b>\$ 562,893</b>	<b>\$ 5,424,743</b>	<b>\$ 5,661,179</b>	<b>\$ 5,983,944</b>	<b>\$ 6,224,072</b>

Additional information on the Town's capital assets can be found in note III.A.3 and 6 of the Basic Financial Statements.

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

North Carolina general statues limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Jefferson is over \$12,000,000.

Additional information regarding the Town of Jefferson's long-term debt can be found in note III.B.5 of this report.

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

The following are some of the components that have reflected the economic condition of the Town of Jefferson and prospects for the future.

- \* The County's unemployment rate of 4.3% is slightly lower than the State average of 4.4% as of June 2019.

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

**Governmental Activities:**

- \* Fund balance will off-set the expenditures this year with a small tax increase. The Town will use these increases in revenues to finance programs currently in place.
- \* Budgeted expenditures in the General Fund are expected to increase 7.6% to \$1,722,367. The largest increments are in salaries, new police department building and equipment, and street signage. Also garbage collection had another increase.

**Business-type Activities:**

- \* The water and sewer rates in the Town will not increase this year. The sewer department also has some equipment maintenance that is required.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Jefferson, PO Box 67, Jefferson, NC 28640.

TOWN OF JEFFERSON  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalent	\$ 2,065,973	\$ 5,434,840	\$ 7,500,813
Restricted Cash and Investments	73,258	69,550	142,808
Investments (Cash Equivalent)	669,624		669,624
Taxes Receivables (net)	74,905		74,905
Accrued Interest Receivable on Taxes	16,808		16,808
Account Receivable (net)		76,928	76,928
Due from Other Governments	129,522	4,686	134,208
Internal Balances	-	-	-
Total Current Assets	3,030,090	5,586,004	8,616,094
Capital Assets:			
Land, Non-Depreciable Improvements, and Construction in Progress	170,200	215,245	385,445
Other Capital Assets, Net of Depreciation	389,001	5,209,500	5,598,501
Total Capital Assets	559,201	5,424,745	5,983,946
Total Assets	\$ 3,589,291	\$ 11,010,749	\$ 14,600,040
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferrals	\$ 119,954	\$ 73,643	\$ 193,597
Total Deferred Outflows of Resources	\$ 119,954	\$ 73,643	\$ 193,597
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	22,605	9,243	31,848
Customer Deposits		69,550	69,550
Compensated Absences	24,279	15,860	40,139
Long-term Liabilities:			
Net Pension Liability (LGERS)	118,253	77,465	195,718
Total Pension Liability (LEO)	188,240		188,240
Total Liabilities	\$ 353,377	\$ 172,118	\$ 525,495
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferrals	18,251	401	18,652
Prepaid Taxes	315		315
Total Deferred Inflows of Resources	\$ 18,566	\$ 401	\$ 18,967
<b>NET POSITION</b>			
Net Investment in Capital Assets	559,201	5,424,745	5,983,946
Restricted for:			
Transportation	2,829		2,829
Cultural and Recreation	70,429		70,429
Restricted for Stabilization by State Statute	129,522		129,522
Unrestricted	2,575,321	5,487,128	8,062,449
Total Net Position	\$ 3,337,302	\$ 10,911,873	\$ 14,249,175

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

TOWN OF JEFFERSON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 285,461	\$ 580	\$ -	\$ -	\$ (284,881)	\$ -	\$ (284,881)
Public Safety	447,750	179			(447,571)		(447,571)
Transportation	242,135		52,041		(190,094)		(190,094)
Environmental Protection	101,101		1,101		(100,000)		(100,000)
Cultural and Recreation	3,079	2,500	629		50		50
Total Governmental Activities	\$ 1,079,526	\$ 3,259	\$ 53,771	\$ -	\$ (1,022,496)	\$ -	\$ (1,022,496)
Business-Type Activities:							
Water and Sewer	880,811	899,650				18,839	18,839
Total Business-Type Activities	880,811	899,650				18,839	18,839
Totals	\$ 1,960,337	\$ 902,909	\$ 53,771	\$ -	\$ (1,022,496)	\$ 18,839	\$ (1,003,657)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					611,583		611,583
Unrestricted intergovernmental					663,535		663,535
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings					35,643	60,323	95,966
Miscellaneous					8,155		8,155
Transfers					(244,595)	244,595	-
Total general revenues and transfers					1,074,321	304,918	1,379,239
Change in Net Position					51,825	323,757	375,582
Net Position - Beginning Restated					3,285,477	10,588,116	13,873,593
Net Position - Ending					\$ 3,337,302	\$ 10,911,873	\$ 14,249,175

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

TOWN OF JEFFERSON, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 1,954,978	\$ 110,995	\$ 2,065,973
Investments	669,624		669,624
Restricted Cash & Investments	2,829	70,429	73,258
Receivables, Net:			
Taxes	74,905		74,905
Accounts			
Due from Other Governments	129,522		129,522
Due from Other Funds			
Total Assets	<u>\$ 2,831,858</u>	<u>\$ 181,424</u>	<u>\$ 3,013,282</u>
<b>LIABILITIES</b>			
Due to Other Funds	\$ -	\$ -	\$ -
Accounts Payable & Accrued Liabilities	22,605		22,605
Total Liabilities	<u>\$ 22,605</u>	<u>\$ -</u>	<u>\$ 22,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Receivable	\$ 74,905	\$ -	\$ 74,905
Prepaid Taxes	315		315
Total Deferred Inflows of Resources	<u>\$ 75,220</u>	<u>\$ -</u>	<u>\$ 75,220</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	\$ 129,522	\$ -	\$ 129,522
Streets - Powell Bill	2,829		2,829
Cemetery Maintenance		70,429	70,429
Assigned			
Capital Projects		110,995	110,995
Subsequent Year's Expenditures	714,567		714,567
Unassigned	1,887,115		1,887,115
Total Fund Balance	<u>\$ 2,734,033</u>	<u>\$ 181,424</u>	<u>2,915,457</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 2,831,858</u>	<u>\$ 181,424</u>	



TOWN OF JEFFERSON, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total Fund Balances, Governmental Funds	\$	2,915,457
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (net).		559,201
Deferred outflows of resources related to pensions are not reported in the funds.		119,954
Deferred inflows of resources related to pensions are not reported in the funds.		(18,251)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.		16,808
Liabilities for earned but deferred revenues in fund statements are recognized as revenue in the statements of net assets.		74,905
Some liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(24,279)
Long-term liabilities, such as net pension liability, used in governmental activities are not financial uses, and therefore are not reported in the funds.		(306,493)
Net position of governmental activities	\$	<u>3,337,302</u>

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

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

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
<b>Revenues</b>			
Ad Valorem Taxes	\$ 608,314	\$ -	\$ 608,314
Unrestricted Intergovernmental	663,535		663,535
Restricted Intergovernmental	53,142		53,142
Permits & Fees	759		759
Sales & Services		2,500	2,500
Investment Earnings	34,230	1,752	35,982
Miscellaneous	8,155	290	8,445
<b>Total Revenues</b>	<b>\$ 1,368,135</b>	<b>\$ 4,542</b>	<b>\$ 1,372,677</b>
<b>Expenditures</b>			
Current:			
General Governmental	\$ 282,167	\$ -	\$ 282,167
Public Safety	462,458		462,458
Transportation	226,284		226,284
Environmental Protection	101,101		101,101
Cultural & Recreational	1,514	1,565	3,079
Capital Outlay			
<b>Total Expenditures</b>	<b>\$ 1,073,524</b>	<b>\$ 1,565</b>	<b>\$ 1,075,089</b>
Excess (Deficiency) of Revenues over Expenditures	\$ 294,611	\$ 2,977	\$ 297,588
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds		5,000	5,000
Transfer to Other Funds	(249,595)		(249,595)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (249,595)</b>	<b>\$ 5,000</b>	<b>\$ (244,595)</b>
Net Change in Fund Balances	\$ 45,016	\$ 7,977	\$ 52,993
Fund Balances:			
Beginning of Year, July 1	\$ 2,689,017	\$ 173,447	\$ 2,862,464
End of Year, June 30	\$ 2,734,033	\$ 181,424	\$ 2,915,457

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

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

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

Net changes in fund balances - total governmental funds	\$	52,993
<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 capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 44,439	
Depreciation expense for governmental assets	<u>(48,131)</u>	(3,692)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		51,814
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase(Decrease) in unavailable revenue for tax revenues		3,261
Increase(Decrease) in accrued interest receivable on taxes		8
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		-
<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>		
Decrease(Increase) in compensated absences		(5,105)
Pension Expense		<u>(47,454)</u>
Total changes in net position of governmental activities	\$	<u><u>51,825</u></u>

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

## EXHIBIT 5

TOWN OF JEFFERSON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 469,809	\$ 469,809	\$ 608,314	\$ 138,505
Unrestricted intergovernmental	435,000	483,598	663,535	179,937
Restricted intergovernmental	48,000	48,300	53,142	4,842
Permits and fees			759	759
Investment earnings	8,000	8,000	34,230	26,230
Miscellaneous			8,155	8,155
Total Revenues	<u>\$ 960,809</u>	<u>\$ 1,009,707</u>	<u>\$ 1,368,135</u>	<u>\$ 358,428</u>
Expenditures:				
Current:				
General government	\$ 349,891	\$ 351,069	\$ 282,167	\$ 68,902
Public safety	512,541	515,366	462,458	52,908
Transportation	394,760	395,060	226,284	168,776
Environmental protection	124,100	124,100	101,101	22,999
Cultural and recreational	14,500	14,500	1,514	12,986
Contingency				
Total Expenditures	<u>1,395,792</u>	<u>1,400,095</u>	<u>1,073,524</u>	<u>326,571</u>
Revenues over (under) expenditures	<u>\$ (434,983)</u>	<u>\$ (390,388)</u>	<u>\$ 294,611</u>	<u>\$ 684,999</u>
Other financing sources (uses):				
Transfer to other funds	\$ (205,000)	\$ (249,595)	\$ (249,595)	\$ -
Appropriated fund balance	639,983	639,983		(639,983)
Total other financing sources (uses)	<u>\$ 434,983</u>	<u>\$ 390,388</u>	<u>\$ (249,595)</u>	<u>\$ (639,983)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,016</u>	<u>\$ 45,016</u>
Fund balances:				
Beginning of year July 1			2,689,017	
End of year June 30			<u>\$ 2,734,033</u>	

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

TOWN OF JEFFERSON, NORTH CAROLINA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

**ASSETS**

## Current Assets:

Cash & Cash Equivalents	\$ 5,434,840
Cash and Cash Equivalents - Restricted	69,550
Accounts Receivable - Net	76,928
Due from Other Governments	4,686
Due from Other Funds	-
Total Current Assets	<u>\$ 5,586,004</u>

## Noncurrent Assets:

Capital Assets - Net	\$ 5,424,745
Total Noncurrent Assets	<u>\$ 5,424,745</u>

Total Assets	<u>\$ 11,010,749</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension Deferrals	\$ 73,643
Total Deferred Outflows of Resources	<u>\$ 73,643</u>

**LIABILITIES**

## Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 9,243
Customer Deposits	69,550
Compensated Absences Payable	15,860
Total Current Liabilities	<u>\$ 94,653</u>

## Noncurrent Liabilities:

Net Pension Liabilities	77,465
Total Noncurrent Liabilities	<u>77,465</u>

Total Liabilities	<u>\$ 172,118</u>
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**DEFERRED INFLOWS OF RESOURCES**

Pension Deferrals	<u>\$ 401</u>
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**NET POSITION**

Net Investment in Capital Assets	\$ 5,424,745
Unrestricted	<u>5,487,128</u>

Total Net Position	<u>\$ 10,911,873</u>
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The notes to the financial statements are an integral part of this statement.

EXHIBIT 7

TOWN OF JEFFERSON, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 825,025
Other Operating Revenues	74,625
Total Operating Revenues	<u>\$ 899,650</u>
Operating Expenses:	
Water Department	\$ 316,901
Sewer Department	327,474
Depreciation	236,436
Total Operating Expenses	<u>\$ 880,811</u>
Operating Income (Loss)	<u>\$ 18,839</u>
Non Operating Revenues (Expenses):	
Interest Income	\$ 60,323
Interest & Fees Expense	-
Total Non-Operating Revenues (Expenses)	<u>\$ 60,323</u>
Income (Loss) Before Transfers and Contributions	\$ 79,162
Capital Contributions	\$ -
Transfers from Other Funds	<u>244,595</u>
Change in Net Position	\$ 323,757
Net Position, Beginning	<u>\$ 10,588,116</u>
Net Position, Ending	<u><u>\$ 10,911,873</u></u>

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

TOWN OF JEFFERSON, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 830,707
Cash Paid for Goods and Services	(283,691)
Cash Paid to and on behalf of Employees	(360,592)
Customer Deposits Received	4,700
Customer Deposits Returned	(2,700)
Other Operating Revenues	74,625
Sales Tax Refund Received	4,301
Net Cash Provided (Used) by Operating Activities	\$ 267,350
Cash Flow from Noncapital Financing Activities:	
Transfer in from General Fund	\$ 244,595
Decrease in Sales Tax Due from General Fund	4,950
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 249,545
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	\$ -
Capital Contributions	-
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ -
Cash Flows from Investing Activities:	
Interest on Investments	\$ 60,323
Net Increase (Decrease) in Cash and Cash Equivalent	\$ 577,218
Cash and Cash Equivalents at Beginning of Year	4,927,172
Cash and Cash Equivalents at End of Year	\$ 5,504,390
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 18,839
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	\$ 236,436
Pension Expense	24,816
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	5,682
(Increase) Decrease in Due from Other Governments	(384)
Increase (Decrease) in Accounts Payable (operating only)	5,550
Increase (Decrease) in Customer Deposits	2,000
Increase (Decrease) in Compensated Absences Payable	(1,493)
Current Year Contributions to Pension	(24,096)
Total Adjustments	\$ 248,511
Net Cash Provided (Used) by Operating Activities	\$ 267,350
Noncash investing, capital and financing:	\$ -

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Jefferson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Jefferson is a municipal corporation which is governed by an elected mayor and a five-member council.

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

**Cemetery Special Revenue Fund** - This fund is used to account for the care of the municipal cemetery.

**Capital Projects Fund** - This fund accounts for the accumulation of funds to finance future capital projects.



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

The Town reports the following major enterprise fund:

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

**C. Measurement Focus and Basis of Accounting**

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

*Government-wide and Proprietary Funds Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. No exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

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

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10% of appropriated monies for the function being reduced. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

##### **1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value as determined by quoted market prices. Currently the Town's only investments are money markets and certificates of deposits, which are all time deposits.

##### **2. Cash and Cash Equivalents**

The Town has several cash accounts from which it makes disbursement and to diversify investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

### 3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### Town of Jefferson Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 2,829
Cemetery Fund	
Cemetery Maintenance	70,429
Total Governmental Activities	<u>\$ 73,258</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 69,550
Total Business-type Activities	<u>\$ 69,550</u>
Total Restricted Cash	<u>\$ 142,808</u>

### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, 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.

### 5. Allowances for Doubtful Accounts

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

### 6. Inventories

The inventories of the Town's General Fund consist of expendable supplies that are recorded as expenditures when purchased. Inventories in the enterprise fund are considered immaterial and, therefore, are recorded as expenditures when purchased.

### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for furniture, computer software, equipment, vehicles, buildings, improvements, and infrastructure. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated

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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 Lives</u>
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5
Furniture and equipment	10
Computer equipment	3
Computer software	5
Water & sewer systems	25

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statements 68 and 73.

#### **9. Long-Term Obligations**

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

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

#### **10. Compensated Absences**

The vacation policy of the Town is to assign vacation days at the beginning of the calendar year, which must be fully used by the end of that calendar year. Any vacation balance remaining at the end of the calendar year is paid out to the employee. The Town's liability for accumulated earned vacation as of the end of the fiscal year is recorded in the government-wide and proprietary fund financial statements on a FIFO basis, and is considered to be current.

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

## 11. Net Position/Fund Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town's nonspendable fund balance is zero at year end.

**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 know 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 restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaid 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.

Restricted for Cemetery Maintenance - portion of fund balance restricted by donors for cemetery maintenance.

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

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**Assigned Fund Balance** - portion of fund balance that Town of Jefferson intends to use for specific purposes.

Assigned for Capital Projects - portion of fund balance that has been budgeted by the governing body for future capital projects.

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

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

## 12. Defined Benefit Cost - Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Jefferson's employer contributions are recognized when due and the Town of Jefferson 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.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2019, the Town made no expenditures in excess of appropriations.

## III. DETAIL NOTES ON ALL FUNDS

### A. Assets

#### 1. 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 units' 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 its 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict

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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 \$8,313,045 and a bank balance of \$8,334,916. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019 the Town's petty cash fund totaled \$200.

All assets labeled as investments in the Town's financial statements are Certificates of Deposits, and are therefore considered deposits instead of investments.

## 2. Receivables - Allowance for Doubtful Accounts

The amounts receivable presented in the Balance Sheet and the Statement of Net Position are presented net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2019</u>
Enterprise Fund	\$ 38,553
General Fund - Taxes Receivable	40,800
Total	<u>\$ 79,353</u>

## 3. Capital Assets

### Primary Government

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

<b>Governmental activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 170,200	\$ -	\$ -	\$ 170,200
Construction in progress				
Total capital assets not being depreciated	<u>\$ 170,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,200</u>
<b>Capital assets being depreciated:</b>				
Building	\$ 465,452	\$ -	\$ -	\$ 465,452
Other improvements	49,705			49,705
Equipment	365,298			365,298
Vehicles and motorized equipment	385,995	44,439	-	430,434
Infrastructure				
Total capital assets being depreciated	<u>\$ 1,266,450</u>	<u>\$ 44,439</u>	<u>\$ -</u>	<u>\$ 1,310,889</u>
<b>Less accumulated depreciation for:</b>				
Building	\$ 193,648	\$ 8,804	\$ -	\$ 202,452
Other improvements	15,823	2,485		18,308
Equipment	348,558	2,391		350,949
Vehicles and motorized equipment	315,728	34,451		350,179
Infrastructure				
Total accumulated depreciation	<u>873,757</u>	<u>48,131</u>	<u>-</u>	<u>921,888</u>
Total capital assets being depreciated, net	<u>392,693</u>			<u>389,001</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 562,893</u>			<u>\$ 559,201</u>

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

General government	\$ 1,825
Public safety	28,955
Transportation	17,351
Cultural and recreational	
Total depreciation expense	<u>\$ 48,131</u>

**Business-type activities:**

**Water and Sewer Fund**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 215,245	\$ -	\$ -	\$ 215,245
Construction in progress				
Total capital assets not being depreciated	<u>\$ 215,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,245</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 10,450,708	\$ -	\$ -	\$ 10,450,708
Vehicles and equipment	333,979			333,979
Total capital assets being depreciated	<u>\$ 10,784,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,784,687</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	5,087,950	211,499	-	5,299,449
Vehicles and equipment	250,803	24,937		275,740
Total accumulated depreciation	<u>\$ 5,338,753</u>	<u>\$ 236,436</u>	<u>\$ -</u>	<u>\$ 5,575,189</u>
Total capital assets being depreciated, net	<u>5,445,934</u>			<u>5,209,498</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 5,661,179</u>			<u>\$ 5,424,743</u>

**Construction commitments**

The government has no active construction projects as of June 30, 2019.

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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



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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Jefferson 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 Jefferson's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Town of Jefferson were \$60,870 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$195,718 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00825% which was a decrease of 0.00045% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the Town recognized pension expense of \$62,885. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,195	\$ 1,013
Changes of assumptions	51,936	
Net difference between projected and actual earnings on pension plan investments	26,866	
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,195	
Town contributions subsequent to the measurement date	60,870	
Total	<u>\$ 186,062</u>	<u>\$ 1,013</u>

The \$60,870 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an 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:

**Year ended June 30:**

2020	\$ 58,345
2021	38,848
2022	9,329
2023	17,656
2024	
Thereafter	<u>\$ 124,178</u>

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

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

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.

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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 rate 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>	

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 470,132	\$ 195,718	\$ (33,586)

*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.

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

1. *Plan Description.*

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

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

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

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statements 73.

3. *Actuarial Assumptions*

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

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

The Discount rate is based on the S&P Municipal Bond 20 year High Grade Rate Index.

Mortality rates are based on the RP-2014 base rates projected to the valuation date using in MP-2015, projected forward generationally.

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4. *Contributions.*

The Town is required by Article 12D of G.S Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. Benefits paid for the reporting period were \$15,070.

***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 liability of \$188,240. The total pension liability was measured as of December 31, 2017 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 \$9,094.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,639
Changes of assumptions	-	-
Benefits payments and plan administrative expense made subsequent to the measurement date	7,535	-
<b>Total</b>	<b>\$ 7,535</b>	<b>\$ 17,639</b>

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

	Deferred Inflows of Resources
<b>Year ended June 30:</b>	
2020	3,841
2021	3,841
2022	3,841
2023	3,791
2024	2,325
Thereafter	
<b>Total</b>	<b>17,639</b>

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

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase 4.64%
Total pension liability	\$ 201,212	\$ 188,240	\$ 176,403

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

	2019
Beginning balance	\$ 204,344
Service cost	7,092
Interest on the total pension liability	6,466
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(18,799)
Changes of assumptions or other inputs	(720)
Benefit payments	(10,143)
Other changes	-
Ending balance of total pension liability	<u>\$ 188,240</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 studies that cover significant portions of the U.S. population. The health 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 experience study completed by the Actuary for the Local Government Employee's Retirement System for the five year period ending December 31, 2014.

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

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

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 63,206	\$ 9,094	\$ 72,300
Pension Liability	195,718	188,240	383,958
Proportionate share of the net pension liability	0.00825%	N/A	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	30,195	-	30,195
Changes of assumptions	51,936	-	51,936
Net difference between projected and actual earnings on plan investments	26,866	-	26,866
Changes in proportion and differences between contributions and proportionate share of contributions	16,195	-	16,195
Benefit payments and administrative costs paid subsequent to the measurement date	60,870	7,535	68,405
Total Deferred Outflows	<u>186,062</u>	<u>7,535</u>	<u>193,597</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	1,013	17,639	18,652
Changes of assumptions			
Net difference between projected and actual earnings on plan investments			
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Total Deferred Inflows	<u>1,013</u>	<u>17,639</u>	<u>18,652</u>

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

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

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$17,167, which consisted of \$11,952 from the Town and \$5,214 from the law enforcement officers. General employees may make voluntary contributions to this plan also. Those voluntary contributions for the year ended June 30, 2019 were \$10,840.

**d. Other Postemployment Benefits**

**Health Care Benefits**

**Plan Description.** Under the terms of a Town resolution, effective December 1, 2018 the Town administers a single - employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits Provided.** The Town pays the full cost of coverage for employees' benefits through private insurers for those employees who retire with a minimum of 20 years of creditable service and have reached age 60. For those employees who retire with at least 15 years of creditable service and have reached age 60 the Town will pay half of the cost of health benefits. Coverage will continue until the retiree is eligible for Medicare. The Town Board may amend the benefit provisions. A separate report was not issued for the plan. The plan will have an actuarial valuation as of June 30, 2019, to be reported as of June 30, 2020. No amounts are reported for June 30, 2019, as the plan did not exist as of the June 30, 2018 measurement date.

**e. Other Employment Benefits**

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

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

**2. Deferred Outflows and Inflows of Resources**

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

	<u>Statement of Net Position</u>
Contributions to pension plan in current fiscal year (LGERS)	\$ 60,870
Benefit payments made for LEOSA subsequent to measurement date	7,535
Differences between expected and actual experience (LGERS)	30,195
Changes of assumptions (LGERS)	51,936
Net difference between projected and actual earnings on pension plan investments (LGERS)	26,866
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	<u>16,195</u>
Total	<u><u>\$ 193,597</u></u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 315	\$ 315
Taxes receivable, less penalties (General Fund)		74,905
Changes in assumptions (LEO)		
Differences between expected and actual experience (LGERS)	1,013	
Changes in proportion and differences between employer contributions and proportionate share of contributions (LEO)	<u>17,639</u>	
Total	<u><u>\$ 18,967</u></u>	<u><u>\$ 75,220</u></u>

**3. Commitments**

The Town gives credit to Mountain View School for one-half of its water and sewer charges to repay the Ashe County Board of Education for its help in constructing water and sewer lines to the school. The credit allowed for the fiscal year ended June 30, 2019 was \$8,374. The total balance remaining is \$221,788.

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not currently carry flood insurance due to lack of feasibility.



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

In accordance with G. S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town's finance officer is bonded for \$50,000 and Town manager (tax collector) is bonded for \$25,000.

**5. Long Term Debt Obligations**

**a. General Obligation Indebtedness**

The Town currently has no general obligation bonds.

**b. Installments Purchases**

The Town currently has no installment purchases outstanding.

**c. Changes in Long-Term Liabilities**

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Amount
Governmental activities:					
Compensated absences	\$ 19,174	\$ 27,720	\$ 22,615	\$ 24,279	\$ 24,279
Net pension liability (LGERS)	77,036	41,217	-	118,253	-
Total pension liability (LEO)	204,344	-	16,104	188,240	-
Gov. activities long-term liabilities	<u>\$ 300,554</u>	<u>\$ 68,937</u>	<u>\$ 38,719</u>	<u>\$ 330,772</u>	<u>\$ 24,279</u>
Business-type activities:					
Compensated absences	\$ 17,353	\$ 18,594	\$ 20,087	\$ 15,860	\$ 15,860
Net pension liability (LGERS)	55,871	21,594	-	77,465	-
Bus-type activity long-term liabilities	<u>\$ 73,224</u>	<u>\$ 40,188</u>	<u>\$ 20,087</u>	<u>\$ 93,325</u>	<u>\$ 15,860</u>

Compensated absences typically have been liquidated.

**C. Interfund Balances and Activity**

Balances Due to/from Other Funds:

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

None

Transfers to/from Other Funds:

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

From the General Fund to the Water and Sewer Fund for operations	\$ 244,595
From the General Fund to the Capital Projects Fund for future use	5,000
Total	<u>\$ 249,595</u>

**D. Fund Balance**

The following schedule provides management and citizens with information on the portion of General Fund

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

balance that is available for appropriation:

Total Fund Balance - General Fund	\$ 2,734,033
Less:	
Stabilization by State Statute	129,522
Streets - Powell Bill	2,829
Appropriated Fund Balance in 2019 budget	714,567
Remaining Fund Balance	1,887,115

#### IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

##### Federal and State Assisted Programs

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

#### V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued - November 1, 2019.

TOWN OF JEFFERSON, NORTH CAROLINA  
TOWN OF JEFFERSON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS\*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Jefferson's proportion of the net pension liability (asset) (%)	0.00825%	0.00870%	0.00955%	0.00907%	0.00942%
Jefferson's proportion of the net pension liability (asset) (\$)	\$ 195,718	\$ 132,912	\$ 202,683	\$ 40,706	\$ (51,991)
Jefferson's covered-employee payroll	\$ 714,100	\$ 707,485	\$ 676,541	\$ 650,957	\$ 691,927
Jefferson's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	27.41%	18.79%	29.96%	6.25%	(8.03%)
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	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 JEFFERSON, NORTH CAROLINA  
TOWN OF JEFFERSON'S PENSION CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 60,870	\$ 54,998	\$ 52,744	\$ 45,940	\$ 46,530
Contributions in relation to the contractually required contribution	60,870	54,998	52,744	45,940	46,530
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Jefferson's covered-employee payroll	\$ 762,434	\$ 714,100	\$ 707,485	\$ 676,541	\$ 650,957
Contributions as a percentage of covered-employee payroll	7.98%	7.70%	7.46%	6.79%	7.15%

EXHIBIT A-3

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 204,344	\$ 190,157	\$ 180,338
Service Cost	7,092	6,847	7,237
Interest On The Total Pension Liability	6,466	7,340	6,438
Changes of Benefit Terms	-	-	-
Differences Between Expected And Actual Experience In The Measurement Of The Total Pension Liability	(18,799)	-	-
Changes Of Assumptions Or Other Inputs	(720)	-	(3,856)
Benefit Payments	(10,143)	-	-
Other Changes	-	-	-
Ending Balance Of The Total Pension Liability	<u>\$ 188,240</u>	<u>\$ 204,344</u>	<u>\$ 190,157</u>

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 188,240	\$ 204,344	\$ 190,157
Covered Payroll	201,169	194,936	200,919
Total Pension Liability as a Percentage of Covered Payroll	93.57%	104.83%	94.64%

Notes to the schedules:

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

TOWN OF JEFFERSON, 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 Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Ad Valorem Taxes:			
Current Year	\$ 469,009	\$ 578,493	\$ 109,484
Prior Years	300	21,593	21,293
Penalties and Interest	500	8,228	7,728
Total	<u>\$ 469,809</u>	<u>\$ 608,314</u>	<u>\$ 138,505</u>
Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ 398,598	\$ 498,959	\$ 100,361
Telecommunications Tax		4,153	4,153
Utility Franchise Tax	85,000	139,488	54,488
Piped Natural Gas Tax		5,568	5,568
Video Franchise Fee		8,578	8,578
Beer & Wine Excise Tax		6,789	6,789
Total	<u>\$ 483,598</u>	<u>\$ 663,535</u>	<u>\$ 179,937</u>
Restricted Intergovernmental Revenues:			
Solid Waste Disposal Tax	\$ -	\$ 1,101	\$ 1,101
State Grant			
Powell Bill Allocation	48,300	52,041	3,741
Total	<u>\$ 48,300</u>	<u>\$ 53,142</u>	<u>\$ 4,842</u>
Permits and Fees:			
Street Assessments	\$ -	\$ -	\$ -
Permits		580	580
Police Officers Fees		179	179
Total	<u>\$ -</u>	<u>\$ 759</u>	<u>\$ 759</u>
Investment Earnings	<u>\$ 8,000</u>	<u>\$ 34,230</u>	<u>\$ 26,230</u>
Miscellaneous	<u>\$ -</u>	<u>\$ 8,155</u>	<u>\$ 8,155</u>
<b>Total Revenues</b>	<b><u>\$ 1,009,707</u></b>	<b><u>\$ 1,368,135</u></b>	<b><u>\$ 358,428</u></b>
<b>Expenditures:</b>			
<b>General Government</b>			
Administration			
Salaries & Benefits	\$ -	\$ 229,010	\$ -
Operating Expenses		53,157	
Capital Outlay			
<b>Total General Government</b>	<u>\$ 351,069</u>	<u>\$ 282,167</u>	<u>\$ 68,902</u>

TOWN OF JEFFERSON, 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 Favorable (Unfavorable)</u>
<b>Public Safety</b>			
Police			
Salaries & Benefits	\$ -	\$ 359,641	\$ -
Operating Expenses		48,378	
Capital Outlay		44,439	
Total	<u>\$ 505,366</u>	<u>\$ 452,458</u>	<u>\$ 52,908</u>
Fire			
Contributions to Jefferson Volunteer Fire Department	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
<b>Total Public Safety</b>	<u>\$ 515,366</u>	<u>\$ 462,458</u>	<u>\$ 52,908</u>
<b>Transportation:</b>			
Street Repairs & Construction			
Salaries & Benefits	\$ -	\$ 88,791	\$ -
Operating Expenses		83,321	
Capital Outlay		-	
Total	<u>\$ 310,610</u>	<u>\$ 172,112</u>	<u>\$ 138,498</u>
Powell Bill Expenditures			
Salaries & Benefits	\$ -	\$ 44,367	\$ -
Operating Expenses		9,805	
Capital Outlay		-	
Total	<u>\$ 84,450</u>	<u>\$ 54,172</u>	<u>\$ 30,278</u>
<b>Total Transportation</b>	<u>\$ 395,060</u>	<u>\$ 226,284</u>	<u>\$ 168,776</u>
<b>Environmental Protection</b>			
Sanitation			
Recycle	\$ -	\$ 70,637	\$ -
Garbage Collection Contract		30,464	
Property Condemnation			
<b>Total Environmental Protection</b>	<u>\$ 124,100</u>	<u>\$ 101,101</u>	<u>\$ 22,999</u>
<b>Cultural &amp; Recreational</b>			
Contribution to Arts Council	\$ -	\$ -	\$ -
Town Beautification		1,514	
<b>Total Cultural &amp; Recreational</b>	<u>\$ 14,500</u>	<u>\$ 1,514</u>	<u>\$ 12,986</u>
<b>Total Expenditures</b>	<u>\$ 1,400,095</u>	<u>\$ 1,073,524</u>	<u>\$ 326,571</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ (390,388)</u>	<u>\$ 294,611</u>	<u>\$ 684,999</u>



TOWN OF JEFFERSON, 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 Favorable (Unfavorable)</u>
<b>Other Financing Sources (Uses):</b>			
Contribution to Water & Sewer Fund	\$ (244,595)	\$ (244,595)	\$ -
Contribution to Capital Projects Fund	(5,000)	(5,000)	
Fund Balance Appropriated	639,983		(639,983)
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 390,388</u></b>	<b><u>\$ (249,595)</u></b>	<b><u>\$ (639,983)</u></b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b><u>\$ -</u></b>	<b><u>\$ 45,016</u></b>	<b><u>\$ 45,016</u></b>
<b>Fund Balance</b>			
Beginning of Year, July 1		<u>2,689,017</u>	
End of Year, June 30		<b><u>\$ 2,734,033</u></b>	

TOWN OF JEFFERSON, NORTH CAROLINA  
COMBINING BALANCE SHEETS  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>Cemetery</u> <u>Fund</u>	<u>Capital</u> <u>Project Fund</u>	<u>Total Non-Major</u> <u>Governmental</u> <u>Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ -	\$ 110,995	110,995
Cash and Cash Equivalents - Restricted	9,376		9,376
Investments (CD) - Restricted	61,053		61,053
	<hr/>		
Total Assets	\$ 70,429	\$ 110,995	\$ 181,424
	<hr/>		
<u>Liabilities and Fund Balance</u>			
Accounts Payable	\$ -	\$ -	\$ -
	<hr/>		
<u>Fund Balances:</u>			
<u>Restricted:</u>			
Cemetery Maintenance	70,429		70,429
<u>Assigned:</u>			
Capital Projects		110,995	110,995
Total Fund Balance	\$ 70,429	\$ 110,995	\$ 181,424
	<hr/>		
Total Liabilities and Fund Balances	\$ 70,429	\$ 110,995	\$ 181,424
	<hr/>		

TOWN OF JEFFERSON, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Cemetery Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Sale of Plots	\$ 2,500	\$ -	\$ 2,500
Investment Earnings	339	1,413	1,752
Contributions	290		290
Total	<u>\$ 3,129</u>	<u>\$ 1,413</u>	<u>\$ 4,542</u>
Expenditures:			
General Government:			
Administration	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cultural & Recreational:			
Grounds Maintenance	\$ 1,565	\$ -	\$ 1,565
Other			
Total Cultural & Recreational	<u>\$ 1,565</u>	<u>\$ -</u>	<u>\$ 1,565</u>
Total Expenditures	<u>\$ 1,565</u>	<u>          </u>	<u>\$ 1,565</u>
Revenues Over (Under) Expenditures	\$ 1,564	\$ 1,413	\$ 2,977
Other Financing Sources (Uses)			
Transfer In	<u>          </u>	<u>5,000</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ 1,564	\$ 6,413	\$ 7,977
Fund Balance:			
Beginning of Year, July 1	<u>68,865</u>	<u>104,582</u>	<u>173,447</u>
End of Year, June 30	<u>\$ 70,429</u>	<u>\$ 110,995</u>	<u>\$ 181,424</u>

EXHIBIT D-1

TOWN OF JEFFERSON, NORTH CAROLINA  
SPECIAL REVENUE - CEMETERY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sale of Plots	\$ -	\$ 2,500	2,500
Investment Earnings	5	339	334
Contributions		290	290
Total	\$ 5	\$ 3,129	\$ 3,124
Expenditures:			
Cultural & Recreational:			
Grounds Maintenance	\$ -	\$ 1,565	\$ -
Other			
Total	\$ 4,500	\$ 1,565	\$ 2,935
Revenues Over (Under) Expenditures	\$ (4,495)	\$ 1,564	\$ 6,059
Other Financing Sources (Uses)			
Appropriated Fund Balance	4,495		(4,495)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 1,564	\$ 1,564
Fund Balance:			
Beginning of Year, July 1		68,865	
End of Year, June 30		\$ 70,429	

TOWN OF JEFFERSON, NORTH CAROLINA  
CAPITAL PROJECTS FUND  
STATEMENTS 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 Favorable (Unfavorable)</u>
Revenues:			
Interest	\$ -	\$ 1,413	\$ 1,413
Total Revenue	<u>\$ -</u>	<u>\$ 1,413</u>	<u>\$ 1,413</u>
Expenditures:			
Building Improvements	\$ 5,000	\$ -	\$ 5,000
Administration			<u>-</u>
Total Expenditures	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Revenues Over (Under) Expenditures:	\$ (5,000)	\$ 1,413	\$ 6,413
Other Financing Sources (Uses):			
Transfer from General Fund	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Excess of Revenues & Other Sources Over Expenditures & Other Uses	<u>\$ -</u>	6,413	<u>\$ 6,413</u>
Fund Balance:			
Beginning of Year, July 1		<u>104,582</u>	
End of Year, June 30		<u>\$ 110,995</u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Operating Revenues:			
Charges for Service			
Water Charges	\$ 410,000	\$ 480,918	\$ 70,918
Sewer Charges	233,553	334,727	101,174
Water & Sewer Taps	8,500	7,930	(570)
Availability Fees	-	1,450	1,450
Total Charges for Service	<u>\$ 652,053</u>	<u>\$ 825,025</u>	<u>\$ 172,972</u>
Other Operating Revenues:			
Sales of Equipment	\$ -	\$ -	\$ -
Miscellaneous	3,000	74,625	71,625
Total Other Operating Revenues	<u>\$ 3,000</u>	<u>\$ 74,625</u>	<u>\$ 71,625</u>
Total Operating Revenues	<u>\$ 655,053</u>	<u>\$ 899,650</u>	<u>\$ 244,597</u>
Non Operating Revenue:			
Interest on Investments	<u>13,600</u>	<u>60,323</u>	<u>46,723</u>
Total Revenues	<u>\$ 668,653</u>	<u>\$ 959,973</u>	<u>\$ 291,320</u>
Expenditures:			
Water Department:			
Salaries & Benefits	\$ -	\$ 187,080	\$ -
Utilities		42,484	
Repair & Maintenance		14,648	
Other Operating Expenses		73,405	
Capital Outlay		-	
Total	<u>\$ 437,000</u>	<u>\$ 317,617</u>	<u>\$ 119,383</u>
Sewer Department:			
Salaries & Benefits	\$ -	\$ 173,512	\$ -
Utilities		66,833	
Repair & Maintenance		20,948	
Other Operating Expenses		66,237	
Capital Outlay		-	
Total	<u>\$ 431,930</u>	<u>\$ 327,530</u>	<u>\$ 104,400</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Contingency	\$ 24,700	\$ -	\$ -
Total	<u>\$ 24,700</u>	<u>\$ -</u>	<u>\$ 24,700</u>
Total Expenditures	<u>\$ 893,630</u>	<u>\$ 645,147</u>	<u>\$ 248,483</u>
Revenues Over/Under Expenditures	<u>(224,977)</u>	<u>314,826</u>	<u>539,803</u>
Other Financing Sources (Uses):			
Transfers In	200,000	244,595	44,595
Capital Contributions			
Fund Balance Appropriated	24,977		(24,977)
Total Other Fin. Sources. (Uses)	<u>\$ 224,977</u>	<u>\$ 244,595</u>	<u>\$ 19,618</u>
Rev. & Other Sources Over (Under)			
Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 559,421</u>	<u>\$ 559,421</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
(Increase) Decrease in Vacation Payable		\$ 1,492	
Deferred Outflows of Resources for Contributions made to Pension Plan in current fiscal year		24,096	
Pension Expense		(24,816)	
Capital Outlay (not Including Capital Projects)		-	
Depreciation		(236,436)	
Total Reconciling Items		<u>\$ (235,664)</u>	
Change in Net Position		<u>\$ 323,757</u>	

TOWN OF JEFFERSON, 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>
2018-19	\$ -	\$ 615,920	585,871	30,049
2017-18	30,148		10,921	19,227
2016-17	16,970		2,316	14,654
2015-16	9,340		519	8,821
2014-15	13,540		1,613	11,927
2013-14	12,783		373	12,410
2012-13	6,629		1,294	5,335
2011-12	5,897		1,294	4,603
2010-11	5,058		1,226	3,832
2009-10	6,107		1,260	4,847
2008-09	3,872		3,872	-
	<u>\$ 110,344</u>	<u>\$ -</u>	<u>\$ 610,559</u>	<u>\$ 115,705</u>
Less allowance for uncollectible ad valorem taxes receivable				(40,800)
Ad Valorem taxes receivable - net				<u>\$ 74,905</u>
Reconciliation with Revenues:				
Taxes - Ad Valorem - General Fund			\$ 608,314	
Discount Allowed			4,497	
Tax Collection Fees			2,447	
Adjustments			(196)	
Interest Collected			(8,228)	
Amounts written off for tax year per statute of limitations			<u>3,725</u>	
Total Collections and Credits			<u>\$ 610,559</u>	



TOWN OF JEFFERSON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN - WIDE LEVY  
FOR THE FISCAL YEAR ENDED 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	\$ 153,742,789	0.38	\$ 584,222	\$ 549,748	\$ 34,474
Property taxed at prior year's rate	2,860,746	0.37	10,585		10,585
Total	<u>\$ 156,603,535</u>		<u>\$ 594,807</u>	<u>\$ 549,748</u>	<u>\$ 45,059</u>
Discoveries:					
Current year taxes	\$ 7,195,892	0.38	\$ 27,344	\$ 27,344	\$ -
Abatements	<u>(1,639,950)</u>	0.38	<u>(6,232)</u>	<u>(6,232)</u>	
Total property valuation	<u><u>\$ 162,159,477</u></u>				
Net levy			\$ 615,919	\$ 570,860	\$ 45,059
Uncollected taxes at June 30, 2019			<u>(30,049)</u>	<u>(30,049)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 585,870</u>	<u>\$ 540,811</u>	<u>\$ 45,059</u>
Current levy collection percentage			<u>95.12%</u>	<u>94.74%</u>	<u>100.00%</u>

# *Priscilla L. Norris, CPA*

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## **Report On Internal Control Over Financial Reporting and on Compliance and other Matters Based On An Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

To the Honorable Mayor and  
Board of Aldermen  
Town of Jefferson, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jefferson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Jefferson's basic financial statements, and have issued our report thereon dated November 1, 2019.

#### Internal Control Over Financial Reporting

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

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

A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies (2019-1 and 2019-2).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Jefferson's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Priscilla L. Norris". The signature is written in black ink and is positioned above a horizontal line.

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Priscilla L. Norris, CPA

Jefferson, NC

November 1, 2019

TOWN OF JEFFERSON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ X no
- Significant deficiency(s) identified that are  
not considered to be material weakness? \_\_\_\_\_ X yes \_\_\_\_\_ no
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X no

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**Section II. Financial Statement Findings**

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**SIGNIFICANT DEFICIENCIES**

**2019-1 Segregation of Duties**

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-1. However, it is no longer a material weakness.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See Corrective Action Plan that follows.

**2019-2 Inadequate Design of Internal Control Over the Preparation of Financial Statements**

Criteria: The Town is responsible for preparation of financial statements.

Condition: The Town does not prepare its own financial statements.

Effect: The financial statements could contain misstatements.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-2.

Cause: The Towns finance staff do not have the experience to draft the financial statements and notes.

Recommendation: The Town needs to weigh the costs versus the benefits of training the finance staff for this function. The Town Manager should also meet with the auditor to go over the financial statements in detail to ensure that she can take full responsibility for them.

Views of responsible officials and planned corrective actions: The Town Agrees with this finding. See Corrective Action Plan that follows.

# *Town of Jefferson*

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**MAYOR**

Bluferd Eldreth

**TOWN MANAGER**

Cathy L. Howell

**FINANCE OFFICER**

Anna M. Brooks

CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**Section II. Financial Statement Findings**

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**SIGNIFICANT DEFICIENCIES****2019-1 Segregation of Duties**

Name of contact person: Cathy Howell, Town Manager

Corrective Action: The Town has determined that the cost of hiring more personnel to mitigate this issue is not feasible. Effort is continuing to be made to divide responsibilities among current staff. The clerk will begin disbursing and/or mailing vendor payments as well as payroll checks to separate the process from the finance officer who writes the checks. The Town Manager will begin taking deposits to the bank in order to separate that process from the finance officer as well. The Town Manager will periodically print a vendor list from the general ledger system and compare it with a separate master vendor list to look for discrepancies.

Proposed Completion Date: Immediately

**2019-2 Inadequate design of internal control over the preparation of financial statements**

Name of contact person: Cathy Howell, Town Manager

Corrective Action: The Town has determined that the costs outweigh the benefits of training the finance staff for this function. However, the Town Manager will meet with the auditor to review the financial statements, in order to ensure that she has sufficient knowledge to take full responsibility for them.

Proposed Completion Date: Immediately

TOWN OF JEFFERSON, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Numbers</u>	<u>State</u> <u>Numbers</u>	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>N.C. Department of Transportation</u> Powell Bill		DOT- Y	\$ -	\$ 54,364
			<hr/>	<hr/>
Total Assistance			<u>\$ -</u>	<u>\$ 54,364</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Jefferson and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.