

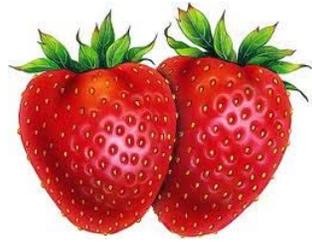
A close-up photograph of several bright red strawberries with green leaves, filling the background of the page. The strawberries are in sharp focus, showing their characteristic seeds and texture.

Chadbourn

North Carolina

Annual Financial Report

For The Year Ended
June 30, 2011

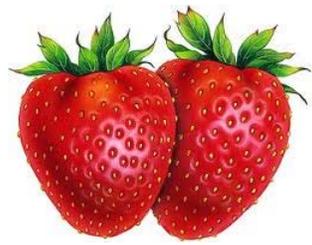


TOWN OF CHADBOURN, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2011

S. PRESTON DOUGLAS & ASSOCIATES, LLP
Certified Public Accountants



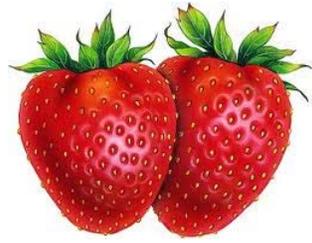
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S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor
and Town Council
Chadbourn, North Carolina

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chadbourn, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chadbourn's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the West Columbus ABC Board, which represents 100 percent, 100 percent, and 100 percent respectfully, of the assets, net assets, and revenues of the discretely component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the West Columbus ABC Board, is based solely on the reports of the other auditors.

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 basic financial statements are free of material misstatement. The financial statements of West Columbus ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining information of the Town of Chadbourn, North Carolina as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011 on our consideration of Town of Chadbourn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of this 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chadbourn's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Chadbourn, North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S. Preston Douglas & Associates, LLP

October 25, 2011

Management's Discussion and Analysis

As management of the Town of Chadbourn, we offer readers of the Town of Chadbourn's financial statements this narrative overview and analysis of the financial activities of the Town of Chadbourn for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

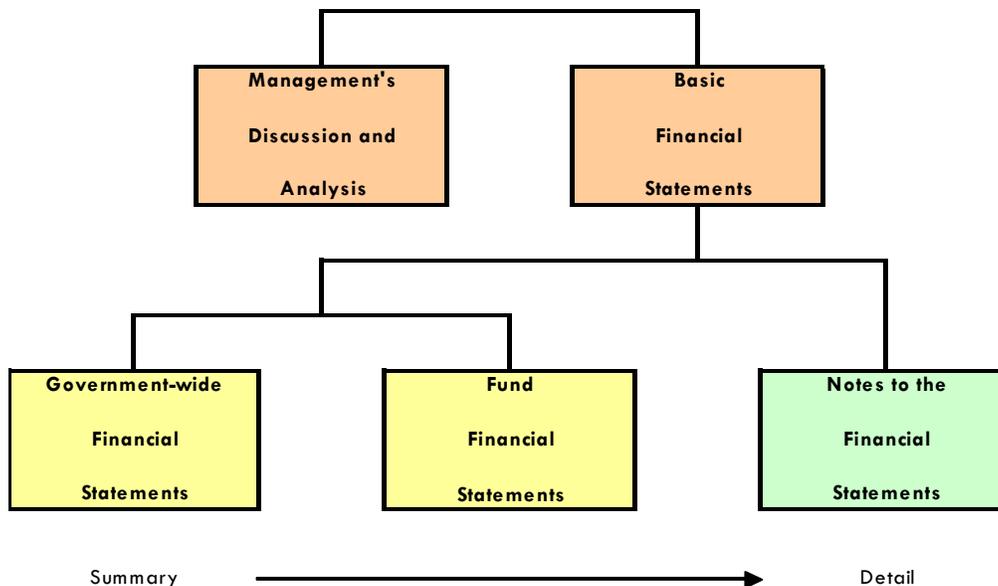
- The assets of the Town of Chadbourn exceeded its liabilities at the close of the fiscal year by \$9,747,953.
- The government's total net assets increased by \$256,918, primarily due to an increase in capital grants and contributions.
- As of the close of the current fiscal year, the Town of Chadbourn's governmental funds reported combined ending fund balances of \$989,738, with a decrease of \$282,782 in fund balance. Approximately 37.51 percent of this total amount, or \$371,251 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$550,026 or 34.44 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 16 through 19) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 20 through 31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets 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 administration, streets and highways, and inspections. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Chadbourn.

The government-wide financial statements are on pages 16 through 19 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Chadbourn, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Chadbourn can be divided into one category: governmental funds.

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

Management's Discussion and Analysis (Continued)

relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 through 48 of this report.

Government-Wide Financial Analysis

The Town of Chadbourn's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,281,815	\$ 1,486,978	\$ 560,997	\$ 600,514	\$ 1,842,812	\$ 2,087,492
Capital assets	2,381,056	1,943,058	8,679,327	9,618,109	11,060,383	11,561,167
Total assets	3,662,871	3,430,036	9,240,324	10,218,623	12,903,195	13,648,659
Long-term liabilities outstanding	823,747	856,944	2,127,540	2,146,357	2,951,287	3,003,301
Other liabilities	129,505	120,391	74,450	196,310	203,955	316,701
Total liabilities	953,252	977,335	2,201,990	2,342,667	3,155,242	3,320,002
Net assets:						
Invested in capital assets, net of related debt	1,595,009	1,116,419	6,569,997	7,448,442	8,165,006	8,564,861
Restricted	371,251	308,823	-	-	371,251	308,823
Unrestricted	743,359	1,027,459	468,337	427,514	1,211,696	1,454,973
Total net assets	\$ 2,709,619	\$ 2,452,701	\$ 7,038,334	\$ 7,875,956	\$ 9,747,953	\$ 10,328,657

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Chadbourn exceeded liabilities by \$9,747,953 as of June 30, 2011. The Town's net assets decreased by \$451,242 for the fiscal year ended June 30, 2011. However, the largest portion (83.76%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Chadbourn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of

Management's Discussion and Analysis (Continued)

Chadborn's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Chadborn's net assets \$371,251 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$1,211,696 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 88.43%

The Town of Chadborn's Changes in Net Assets

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 292,109	\$ 312,790	\$ 852,146	\$ 944,293	\$ 1,144,255	\$ 1,257,083
Operating grants and contributions	115,376	209,322	-	1,106,712	115,376	1,316,034
Capital grants and contributions	666,915	39,011	741,392	-	1,408,307	39,011
General Revenues						
Property taxes	519,401	543,944	-	-	519,401	543,944
Other taxes	286,147	419,286	-	-	286,147	419,286
ABC Profit Distribution	-	-	-	-	-	-
Other	187,448	38,427	1,384	2,504	188,832	40,931
Total revenues	2,067,396	1,562,780	1,594,922	2,053,509	3,662,318	3,616,289
Expenses:						
Governing Body	12,940	60,889	-	-	12,940	60,889
Administration	257,948	309,235	-	-	257,948	309,235
Civic Center	11,347	-	-	-	11,347	-
Public Buildings	13,629	-	-	-	13,629	-
Police	550,728	749,190	-	-	550,728	749,190
Inspections	20,168	223,357	-	-	20,168	223,357
Fire	62,878	-	-	-	62,878	-
Street Department	100,519	239,712	-	-	100,519	239,712
Powell Bill	121,226	-	-	-	121,226	-
Sanitation	265,836	-	-	-	265,836	-
Recreation	79,494	70,783	-	-	79,494	70,783
Community Development	-	-	-	-	-	-
Special Appropriations	69,506	-	-	-	69,506	-
Interest on long-term debt	9,843	36,112	-	-	9,843	36,112
Water and Sewer	-	-	1,000,093	1,049,350	1,000,093	1,049,350
Total expenses	1,576,062	1,689,278	1,000,093	1,049,350	2,576,155	2,738,628
Increase(Decrease) in net assets before transfers	491,334	(126,498)	594,829	1,004,159	1,086,163	877,661
Transfers	-	-	-	-	-	-
Cumulative change in application of capitalization policy	(234,416)	-	(981,209)	-	3,662,318	3,616,289
Change in net assets	491,334	(126,498)	594,829	1,004,159	1,086,163	877,661
Net assets, July 1	2,452,701	2,607,199	7,875,956	6,843,797	10,328,657	9,450,996
Prior period adjustment	-	(28,000)	(451,242)	28,000	(451,242)	-
Net assets, July 1, Restated	2,452,701	2,579,199	7,424,714	6,871,797	9,877,415	9,450,996
Net assets, June 30	\$ 2,709,619	\$ 2,452,701	\$ 7,038,334	\$ 7,875,956	\$ 14,625,896	\$ 13,944,946

Management's Discussion and Analysis (Continued)

Governmental activities. Governmental activities increased the Town's net assets by \$256,918. Key element of this increase is as follows:

- Grant revenues increased during the year.

Business-type activities. Business-type activities decreased the Town of Chadbourn's net assets by \$386,380 primarily due to the cumulative effect of a change in capitalization policy.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Chadbourn's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Chadbourn's financing requirements. Specifically, unreserved 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 Chadbourn. At the end of the current fiscal year, Town of Chadbourn's fund balance available in the General Fund was \$621,795, while total fund balance reached \$993,046. The Town currently has an available fund balance of 38.93 percent of total General Fund expenditures, while total fund balance represents 62.17 percent of the same amount.

At June 30, 2011, the governmental funds of Town of Chadbourn reported a combined fund balance of \$989,378, with a net decrease in fund balance of \$282,782. Included in this change in fund balance are increases in fund balance in both the General and Capital Project Funds.

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 the budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Chadbourn's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$468,337. The total change in net assets for the Water and Sewer Fund was a decrease of \$386,380.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital assets. The Town of Chadbourn's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$11,060,383 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Change in capitalization policy

The Town of Chadbourn's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 117,520	\$ 190,291	\$ -	\$ 24,931	\$ 117,520	\$ 215,222
Construction in Progress	751,242	-	-	1,139,081	751,242	1,139,081
Buildings	1,373,794	1,522,399	-	22,330	1,373,794	1,544,729
Plant and Distribution	-	-	8,620,068	8,382,003	8,620,068	8,382,003
Vehicles and Equipment	138,500	224,804	59,259	49,764	197,759	274,568
Furniture and Fixtures	-	5,564	-	-	-	5,564
Total	\$ 2,381,056	\$ 1,943,058	\$ 8,679,327	\$ 9,618,109	\$ 11,060,383	\$ 11,561,167

Additional information on the Town's capital assets can be found on page 40 in the Notes to the Financial Statements.

Management's Discussion and Analysis (Continued)

Long-term Debt. As of June 30, 2011, the Town of Chadbourn had total debt outstanding of \$2,895,377. Of this, \$2,895,377 is debt backed by the full faith and credit of the Town of Chadbourn.

The Town of Chadbourn's Outstanding Debt Installment Purchases and General Obligation Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Installment Purchases	\$ 786,047	\$ 826,639	\$ 16,330	\$ 483,909	\$ 802,377	\$ 1,310,548
General Obligation Debt	-	-	2,093,000	2,137,000	2,093,000	2,137,000
Total	\$ 786,047	\$ 826,639	\$ 2,109,330	\$ 2,620,909	\$ 2,895,377	\$ 3,447,548

The Town of Chadbourn's total debt decreased by \$604,181 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Chadbourn is \$6,113,089. The Town of Chadbourn does not have any authorized but un-issued debt at June 30, 2011.

Additional information regarding the Town of Chadbourn's long-term debt can be found beginning on page 46 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities. Property taxes expected to lead the increase in budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

Business-type Activities. Water and Sewer rates in the Town will remain constant for the next year.

Requests for Information

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

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

Basic Financial Statements

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Net Assets

June 30, 2011

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 667,833	\$ 485,270	\$ 1,153,103	\$ 170,751
Receivables (net):				
Taxes	137,265	-	137,265	-
Accounts	27,224	75,727	102,951	478
Accrued Interest - Taxes	25,307	-	25,307	-
Inventory	-	-	-	70,640
Prepaid Expenses	-	-	-	5,796
Due from Other Governments	180,279	-	180,279	-
Due from Component Unit	3,560	-	3,560	-
Restricted Cash and Investments	240,347	-	240,347	-
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	868,762	-	868,762	74,702
Other Capital Assets, Net of Depreciation	1,512,294	8,679,327	10,191,621	6,227
Total Assets	\$ 3,662,871	\$ 9,240,324	\$ 12,903,195	\$ 328,594

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Net Assets (Continued)

June 30, 2011

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 129,505	\$ 10,824	\$ 140,329	\$ 58,584
Customer Deposits	-	63,626	63,626	-
Due to Primary Government	-	-	-	3,560
Distributions Payable	-	-	-	-
Long-Term Liabilities				
Due Within One Year	42,338	62,330	104,668	-
Due In More Than One Year	781,409	2,065,210	2,846,619	-
Total Liabilities	953,252	2,201,990	3,155,242	62,144
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,595,009	6,569,997	8,165,006	80,929
Restricted For:				
Streets	240,347	-	240,347	-
Capital Improvements	-	-	-	108,998
Working Capital	-	-	-	17,795
Stabilization by State Statute	130,904	-	130,904	-
Unrestricted	743,359	468,337	1,211,696	58,728
Total Net Assets	\$ 2,709,619	\$ 7,038,334	\$ 9,747,953	\$ 266,450

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

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 12,940	\$ -	\$ -	\$ -
Administration	257,948	14,681	-	-
Civic Center	11,347	6,890	-	-
Public Buildings	13,629	-	-	-
Police	550,728	-	47,001	-
Inspections	20,168	15,705	-	-
Fire	62,878	-	-	-
Street Department	100,519	-	-	-
Powell Bill	121,226	-	66,917	-
Sanitation	265,836	224,664	1,458	-
Recreation	79,494	30,169	-	-
Community Development	-	-	-	666,915
Special Appropriations	69,506	-	-	-
Interest on Long-Term Debt	9,843	-	-	-
Total Governmental Activities	1,576,062	292,109	115,376	666,915
Business-Type Activities:				
Water and Sewer	1,000,093	852,146	-	741,392
Total Business-Type Activities	1,000,093	852,146	-	741,392
Total Primary Government	2,576,155	1,144,255	115,376	1,408,307
Component Units:				
West Columbus ABC Board	572,133	596,903	-	-
Total Component Units	\$ 572,133	\$ 596,903	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purpose

Fire District Taxes

Local Option Sales and Use Taxes

Accommodations Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Cummulative Change in Application of Capitalization Policy

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Beginning, Restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	West Columbus ABC Board
\$ (12,940)	\$ -	\$ (12,940)	\$ -
(243,267)	-	(243,267)	-
(4,457)	-	(4,457)	-
(13,629)	-	(13,629)	-
(503,727)	-	(503,727)	-
(4,463)	-	(4,463)	-
(62,878)	-	(62,878)	-
(100,519)	-	(100,519)	-
(54,309)	-	(54,309)	-
(39,714)	-	(39,714)	-
(49,325)	-	(49,325)	-
666,915	-	666,915	-
(69,506)	-	(69,506)	-
(9,843)	-	(9,843)	-
(501,662)	-	(501,662)	-
-	593,445	593,445	-
-	593,445	593,445	-
(501,662)	593,445	91,783	-
-	-	-	24,770
-	-	-	24,770
519,401	-	519,401	-
-	-	-	-
286,147	-	286,147	-
-	-	-	-
115,879	-	115,879	-
1,699	159	1,858	1,447
69,870	1,225	71,095	-
992,996	1,384	994,380	1,447
(234,416)	(981,209)	(1,215,625)	-
256,918	(386,380)	(129,462)	26,217
2,452,701	7,875,956	10,328,657	240,233
-	(451,242)	(451,242)	-
2,452,701	7,424,714	9,877,415	240,233
\$ 2,709,619	\$ 7,038,334	\$ 9,747,953	\$ 266,450

TOWN OF CHADBOURN, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2011

	<u>Major Funds</u>		
	<u>General</u>	<u>CDBG</u>	<u>Total</u>
			<u>Capital Project</u>
		<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and Investments	\$ 667,144	\$ 689	\$ 667,833
Receivables (net):			-
Ad Valorem Taxes	137,265	-	137,265
Accounts	27,224	-	27,224
Due from Component Unit	3,560	-	3,560
Due from Other Governments	100,120	80,159	180,279
Restricted Cash and Investments	240,347	-	240,347
Total Assets	<u>\$ 1,175,660</u>	<u>\$ 80,848</u>	<u>\$ 1,256,508</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and			
Accrued Liabilities	\$ 45,349	\$ 84,156	\$ 129,505
Deferred Revenues	137,265	-	137,265
Total Liabilities	<u>182,614</u>	<u>84,156</u>	<u>266,770</u>
Fund Balances:			
Restricted			
Stabilization by State Statute	130,904	-	130,904
Streets	240,347	-	240,347
Assigned			-
Subsequent Year's Expenditures:	71,769	-	71,769
Unassigned	550,026	(3,308)	546,718
Total Fund Balances	<u>993,046</u>	<u>(3,308)</u>	<u>989,738</u>
Total Liabilities and Fund Balances	<u>\$ 1,175,660</u>	<u>\$ 80,848</u>	

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

TOWN OF CHADBOURN, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2011

		Total Governmental Funds
		<u> </u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Total Governmental Fund Balance		\$ 989,738
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 2,672,482	-
Accumulated depreciation	<u>(291,426)</u>	2,381,056
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>25,307</u>	25,307
Liabilities for earned but deferred revenues in fund statements.		
Ad valorem taxes	<u>137,265</u>	137,265
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Other postemployment benefits	(3,109)	
Installment purchases	(786,047)	
Compensated absences	<u>(34,591)</u>	(823,747)
Net assets of governmental activities.		<u><u>\$ 2,709,619</u></u>

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

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	Major Funds		
	General Fund	CDBG Capital Project Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 517,707	\$ -	\$ 517,707
Other Taxes and Licenses	14,681	-	14,681
Unrestricted Intergovernmental	402,026	-	402,026
Restricted Intergovernmental	115,799	666,915	782,714
Permits and Fees	15,705	-	15,705
Sales and Services	261,723	-	261,723
Investment Earnings	1,699	-	1,699
Miscellaneous	69,446	-	69,446
Total Revenues	1,398,786	666,915	2,065,701
Expenditures			
Current			
Governing Body	12,940	-	12,940
Administration	242,864	-	242,864
Civic Center	11,347	-	11,347
Public Buildings	13,629	-	13,629
Police	530,809	-	530,809
Inspections	20,168	-	20,168
Fire	62,828	-	62,828
Streets Department	88,695	-	88,695
Powell Bill	122,998	-	122,998
Sanitation	265,836	-	265,836
Recreation	78,967	-	78,967
Special Appropriations	69,506	-	69,506
Debt Service			
Principal	40,592	-	40,592
Interest and Other Charges	36,062	-	36,062
Capital Outlay			
Community Development	-	751,242	751,242
Total Expenditures	1,597,241	751,242	2,348,483
Revenues Over (Under) Expenditures	(198,455)	(84,327)	(282,782)
Other Financing Sources (Uses)			
Transfers from Other Funds	-	80,000	80,000
Transfers to Other Funds	(80,000)	-	(80,000)
Total Other Financing Sources (Uses)	(80,000)	80,000	-
Net Change in Fund Balance	(278,455)	(4,327)	(282,782)
Fund Balance - Beginning of Year	1,271,501	1,019	1,272,520
Fund Balance - End of Year	\$ 993,046	\$ (3,308)	\$ 989,738

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

TOWN OF CHADBOURN, NORTH CAROLINA

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

Governmental Funds

For the Year Ended June 30, 2011

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

Net changes in fund balances - total governmental funds	\$	(282,782)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	\$ 751,242	
Depreciation expense	(78,828)	
Change in capitalization policy	<u>(234,416)</u>	437,998

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

Change in deferred revenue for ad valorem tax revenues	(12,780)	
Interest earned on ad valorem taxes	<u>14,474</u>	1,694

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 assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued interest payable	26,219	
Debt issuance	-	
Debt retirement	<u>40,592</u>	66,811

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:

Other postemployment benefits	31,788	
Compensated absences	<u>1,409</u>	33,197

Total changes in net assets of governmental activities	<u>\$</u>	<u>256,918</u>
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TOWN OF CHADBOURN, NORTH CAROLINA

General Fund

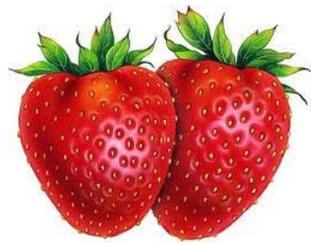
Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 484,500	\$ 484,500	\$ 517,707	\$ 33,207
Other Taxes and Licenses	28,500	28,500	14,681	(13,819)
Unrestricted Intergovernmental	407,800	407,800	402,026	(5,774)
Restricted Intergovernmental	107,290	110,798	115,799	5,001
Permits and Fees	13,000	18,000	15,705	(2,295)
Sales and Services	278,023	272,724	261,723	(11,001)
Investment Earnings	750	1,350	1,699	349
Miscellaneous	36,034	40,634	69,446	28,812
Total Revenues	<u>1,355,897</u>	<u>1,364,306</u>	<u>1,398,786</u>	<u>34,480</u>
Expenditures				
Governing Body	13,215	13,215	12,940	275
Administration	193,995	243,095	242,864	231
Civic Center	7,250	12,750	11,347	1,403
Public Buildings	10,000	13,639	13,629	10
Police	521,105	525,289	530,809	(5,520)
Inspections	21,790	21,790	20,168	1,622
Fire	69,029	69,029	62,828	6,201
Street Department	78,265	89,614	88,695	919
Powell Bill	67,100	129,131	122,998	6,133
Sanitation	248,429	248,429	265,836	(17,407)
Recreation	61,379	79,796	78,967	829
Special Appropriations	160,207	138,936	69,506	69,430
Debt Service	-	76,655	76,654	1
Total Expenditures	<u>1,451,764</u>	<u>1,661,368</u>	<u>1,597,241</u>	<u>64,127</u>
Revenues Over (Under) Expenditures	<u>(95,867)</u>	<u>(297,062)</u>	<u>(198,455)</u>	<u>98,607</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(95,867)</u>	<u>(377,062)</u>	<u>(278,455)</u>	<u>98,607</u>
Appropriated Fund Balance	<u>95,867</u>	<u>377,062</u>	<u>-</u>	<u>(377,062)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(278,455)</u>	<u>\$ (278,455)</u>
Fund Balance - Beginning of Year			<u>1,271,501</u>	
Fund Balance - End of Year			<u>\$ 993,046</u>	

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



TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Fund Net Assets

Proprietary Fund

June 30, 2011

	Water and Sewer Fund
	<u> </u>
ASSETS	
Current Assets	
Cash and Investments	\$ 485,270
Accounts Receivable (net)	75,727
Total Current Assets	<u>560,997</u>
Noncurrent Assets	
Capital Assets	
Other Capital Assets, Net of Depreciation	8,679,327
Total Capital Assets	<u>8,679,327</u>
Total Noncurrent Assets	<u>8,679,327</u>
Total Assets	<u>\$ 9,240,324</u>
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 10,824
Customer Deposits	63,626
Installment Purchase Obligations Payable	16,330
General Obligations Bonds Payable	46,000
Total Current Liabilities	<u>136,780</u>
Noncurrent Liabilities	
General Obligations Bonds Payable	2,047,000
Other Postemployment Benefits	1,451
Compensated Absences Payable	16,759
Total Noncurrent Liabilities	<u>2,065,210</u>
Total Liabilities	<u>2,201,990</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	6,569,997
Unrestricted	468,337
Total Net Assets	<u>\$ 7,038,334</u>

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

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Water and Sewer Fund
Operating Revenues	
Water Charges	\$ 449,872
Sewer Charges	330,438
Water and Sewer Taps	5,742
Reserve Assessments	53,335
Other	12,759
Total Operating Revenues	<u>852,146</u>
Operating Expenses	
Water Operations	208,696
Wastewater Treatment	245,949
Sewer Operations	248,897
Depreciation	207,230
Total Operating Expenses	<u>910,772</u>
Operating Income (Loss)	<u>(58,626)</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	159
Miscellaneous	1,225
Interest Expense	(89,321)
Total Nonoperating Revenues (Expenses)	<u>(87,937)</u>
Total Income (Loss) Before Contributions	(146,563)
Capital Contributions	741,392
Cumulative Change in Application of Capitalization Policy	<u>(981,209)</u>
Change in Net Assets	<u>(386,380)</u>
Net Assets - Beginning of Year	7,875,956
Prior Period Adjustment	<u>(451,242)</u>
Net Assets - Beginning of Year, Restated	<u>7,424,714</u>
Net Assets - End of Year	<u><u>\$ 7,038,334</u></u>

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

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2011

	Water and Sewer Fund
	<u> </u>
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 924,291
Cash Paid for Goods and Services	(395,075)
Cash Paid to or on Behalf of Employees for Services	(373,516)
Customer Deposits Received	3,353
Customer Deposits Returned	(1,345)
Other Operating Revenues	13,984
Net Cash Provided (Used) by Operating Activities	<u>171,692</u>
Cash Flows from Noncapital Financing Activities	
Transfers out	<u>(2,955)</u>
Cash Flows from Capital Financing Activities	
Acquisition of Capital Assets	(249,657)
Interest Paid on Bond Obligations and Equipment Contracts	(97,542)
Principal Paid on Bond Obligations and Equipment Contracts	(511,579)
Capital Contributions - State Grants	614,831
Capital Contributions - Federal Grants	126,561
Net Cash Provided (Used) by Capital Financing Activities	<u>(117,386)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>159</u>
Net Increase(Decrease) in Cash and Cash Equivalents	51,510
Cash and Cash Equivalents - Beginning of Year	<u>433,760</u>
Cash and Cash Equivalents - End of Year	<u>\$ 485,270</u>

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

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2011

	<u>Water and Sewer Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	<u>\$ (58,626)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	207,230
Miscellaneous Income	1,225
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	84,904
(Increase) Decrease in Inventory	5,500
(Increase) Decrease in Prepaid Insurance	3,578
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(55,314)
Increase (Decrease) in Customer Deposits	2,008
Increase (Decrease) in Compensated Absences Payable	(4,415)
Increase (Decrease) in Other Postemployment Benefits	<u>(14,398)</u>
Total Adjustments	<u>230,318</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 171,692</u>

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

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

West Columbus ABC Board

The Board, as provided by North Carolina Alcoholic Beverage Control Laws, operate one retail location in Chadbourn. The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at West Columbus ABC Board, 208 E. 1st Avenue, Chadbourn, North Carolina 28431 .

B. Basis of Presentation, Basis of Accounting

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

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

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

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

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus, Basis of Accounting

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

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

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

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

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

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 property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Town of Chadbourn is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the Town. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for any Grant Project Special Revenue Funds.

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

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

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

The Town and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended bond proceeds of the Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which bonds were originally issued. 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 CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the Town, and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, and infrastructure, \$100,000; furniture, equipment, and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

In July 2010, the Town increased its capitalization policy as follows: furniture and equipment, and vehicles, \$5,000; and land, buildings and infrastructure, \$100,000 to improve the efficiency in keeping the accounting records. The cumulative effect of this change in the application of the capitalization policy resulted in decreases in Net Assets for the Governmental Funds by \$234,416 and decreases in Net Assets for the Water and Sewer Fund by \$981,209.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

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

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

6. Capital Assets (Continued)

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

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

8. Long-Term Obligations

In the government-wide financial statements and in the 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 assets. 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 the 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.

9. Compensated Absences

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

The sick leave policies of the Town and the ABC Board 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, the expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the governing board for Police and Sanitation. The Board will more closely review the budget reports to ensure compliance in future years.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2011, the Town's deposits had a carrying amount of \$246,279 and a bank balance of \$336,566. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$170,751 and the bank balance was \$171,558. All of the bank balance was covered by federal depository insurance. At June 30, 2011, the Town's petty cash fund totaled \$120.

2. Investments

At June 30, 2011, the Town of Chadbourn had \$1,147,051 invested with the North Carolina Capital Management

3. Receivables – Allowances for Doubtful Accounts

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

Fund	06/30/2011
General Fund	
Taxes Receivable	15,000
Sanitation	57,000
Utilities	150,000
Total	<u>222,000</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Change in Capitalization Policy	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 190,921	\$ -	\$ -	\$ (72,771)	\$ 117,520
Construction in progress	-	751,242	-	-	751,242
Total capital assets not being Depreciated	<u>190,291</u>	<u>751,242</u>	<u>-</u>	<u>(72,771)</u>	<u>868,762</u>
Capital assets being depreciated:					
Buildings and Improvements	1,710,343	-	-	(188,794)	1,521,549
Equipment	855,595	-	-	(573,424)	282,171
Office furniture and fixtures	10,984	-	-	(10,984)	-
Total capital assets being Depreciated	<u>2,576,922</u>	<u>-</u>	<u>-</u>	<u>(773,202)</u>	<u>1,803,720</u>
Less accumulated depreciation for:					
Buildings and Improvements	187,944	30,431	-	(70,620)	147,755
Equipment	630,791	48,397	-	(535,517)	143,671
Office furniture	5,420	-	-	(5,420)	-
Total accumulated depreciation	<u>824,155</u>	<u>78,828</u>	<u>-</u>	<u>(611,557)</u>	<u>291,426</u>
Total capital assets being depreciated, net	<u>1,752,767</u>				<u>1,512,294</u>
Governmental activity capital assets, net	<u>\$ 1,943,058</u>				<u>\$ 2,381,056</u>

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

	<u>Depreciation</u>
Administration	\$ 33,108
Police	32,319
Street Department	11,824
Recreation	<u>1,577</u>
Total	<u>\$ 78,828</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

**Business-Type Activities:
Water and Sewer Fund**

	Beginning Balances	Increases	Decreases	Change in Capitalization Policy	Ending Balances
Capital assets not being depreciated:					
Land	\$ 24,931	\$ -	\$ -	\$ (24,931)	\$ -
Construction in Progress	1,139,081	-	1,139,081	-	-
Total capital assets not being Depreciated	<u>1,164,012</u>	-	-	(24,931)	-
Capital assets being depreciated:					
Buildings and Improvements	24,874	-	-	(24,874)	-
Infrastructure	11,035,849	1,388,738	-	(1,699,106)	10,725,481
Other Equipment	285,345	-	-	(190,243)	95,102
Total capital assets being Depreciated	<u>11,346,068</u>	<u>1,388,738</u>	-	(1,914,223)	<u>10,820,583</u>
Less accumulated depreciation for:					
Buildings and Improvements	2,544	-	-	(2,544)	-
Infrastructure	2,653,846	200,622	-	(749,055)	2,105,413
Other Equipment	235,581	6,608	-	(206,346)	35,843
Total accumulated depreciation	<u>2,891,971</u>	<u>207,230</u>	<u>-</u>	<u>(957,945)</u>	<u>2,141,256</u>
Total capital assets being depreciated, net	<u>8,454,097</u>				<u>8,679,327</u>
Water and Sewer Fund capital assets, net	<u>\$ 9,618,109</u>				<u>\$ 8,679,327</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Discretely presented component unit

Activity for the West Columbus ABC Board for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 369	\$ 67,333	\$ -	\$ 67,702
Construction in Progress	-	7,000	-	7,000
Total capital assets not being Depreciated	<u>369</u>	<u>74,333</u>	<u>-</u>	<u>74,702</u>
Capital assets being depreciated:				
Store fixtures and equipment	35,073	-	-	35,073
Office furniture	14,440	-	-	14,440
Total capital assets being Depreciated	<u>49,513</u>	<u>-</u>	<u>-</u>	<u>49,513</u>
Less accumulated depreciation for:				
Store fixtures and equipment	27,865	981	-	28,846
Office furniture	14,440	-	-	14,440
Total accumulated depreciation	<u>42,305</u>	<u>981</u>	<u>-</u>	<u>43,286</u>
Total capital assets being depreciated, net	<u>7,208</u>			<u>6,227</u>
West Columbus ABC Board capital assets, net	<u>\$ 7,577</u>			<u>80,929</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Town of Chadbourn contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.35% and 6.41%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.35% of annual covered payroll. The contribution requirements of members and of Town of Chadbourn and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$48,991, \$37,709, and \$36,646 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$1,641, \$1,355, and \$1,611 respectively. The contributions made by the Town and the ABC Board equaled required contributions for each year.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
Total	<u>11</u>

A separate report was not issued for the plan.

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.

Method Used to Value Investments – No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions

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

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires that the Town contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2011 were \$14,908, which consisted of \$14,564 from the Town and \$343 from the law enforcement officers.

All Other Employees

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

Funding Policy. For the year ended June 30, 2011, total contributions to the plan equaled \$8,060, all from the participating employees.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town's policy provides that retirees may participate in the Town's healthcare plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least 10 years and have at least five years of creditable service with the Town. The retiree will be required to pay 100% of the cost of their insurance.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$	2,280
Interest on net OPEB obligation		-
Adjustment to annual required contribution		(48,466)
Annual OPEB cost (expense)		(46,186)
Contributions made		-
Increase (decrease) in net OPEB obligation		(46,186)
Net OPEB obligation, beginning of year		50,746
Net OPEB obligation, end of year	\$	4,560

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 were as follows

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,280	0.00%	\$ 4,560
2010	50,746	0.00%	50,746

Funded Status and Funding Progress. As of December 31, 2011, the actuarial accrued liability for benefits was \$8,960, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$791,450, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.13%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit (Continued)

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12.00 percent initially, reduced to an ultimate rate of 6.00 percent after six years, was used.

Health insurance premiums – 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit (Continued)

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was thirty years.

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.

2. Deferred/ Unearned Revenues

The balance in deferred revenues at year-end is comprised of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes Receivable	137,265	-
Prepaid taxes	-	-
Total	<u>137,265</u>	<u>-</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Risk Management

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$50,000. The remaining employees that have access to fund are bonded under a blanket bond for \$25,000.

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

The West Columbus ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, and workers' compensation. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-803, the ABC Board's employees that have access to any money at any given time of the Board's funds are performance bonded through a commercial surety bond. The policy provides a blanket bond of \$25,000 for the store manager and employees.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations

a. Installment Purchases

In October 2005, the Town entered into an installment loan in the amount of \$417,261 for the construction of a new town hall. The financing contract requires principal payments beginning October 2006. Principal installments of \$23,425 are due annually on October 14 at an annual interest rate of 4.5%.

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

In September 2009, the Town entered into an installment loan in the amount of \$110,420 for the purchase of Police vehicles. The financing contract requires principal payments beginning September 2010. Principal installments of \$25,066 are due annually on September 23 at an annual interest rate of 4.375%.

In April 2007, the Town entered into an installment loan in the amount of \$49,000 for the purchase of a street sweeper. The financing contract requires principal payments beginning August 2007. Principal installments of \$2,716 are due quarterly at an annual interest rate of 4.010%.

In September 1992 the Town entered into an installment loan in the amount of \$326,669 for the rehabilitation of sewer lines. The financing contract requires principal payments beginning May 1993. Principal installments of \$16,33 are due annually on May 1 at a semiannual interest rate of 3.385%.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

a. Installment Purchase (Continued)

For Town of Chadbourn, the future minimum payments as of June 30, 2011, including \$599,811 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	42,338	34,316
2013	33,131	32,659
2014	34,582	31,208
2015	36,092	29,698
2016	12,610	28,114
2017-2021	71,853	131,767
2022-2026	89,061	114,559
2027-2031	110,395	93,225
2032-2036	136,845	66,775
2037-2041	169,637	33,983
2042-2043	49,503	2,954
Total	786,047	599,258

Year Ending June 30	Water and Sewer Activities	
	Principal	Interest
2012	16,330	553
Total	16,330	553

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. General Obligation Indebtedness

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

The Town's general obligation bonds payable at June 30, 2011 are comprised of the following individual issues:

Serviced by the Town's Water and Sewer Fund:

\$55,000 Series 1979 Water and Sewer Bonds		
Principal and interest due on June 1, in annual installments through June 1, 2019		\$ 49,000
\$2,360,000 Series 1999 Water and Sewer Bonds		
Principal and interest due on June 1, in annual installments through June 1, 2039		2,044,000
Total		<u>\$ 2,093,000</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2012	\$ 46,000	\$ 94,730
2013	48,000	92,330
2014	49,500	90,140
2015	51,500	87,883
2016	53,500	85,535
2017-2021	290,500	389,265
2022-2026	335,000	320,940
2027-2031	403,000	238,995
2032-2036	504,000	139,500
2037-2039	312,000	28,080
Total	<u>\$ 2,093,000</u>	<u>\$ 1,567,398</u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****4. Long-Term Obligations (Continued)****c. Long-Term Obligation Activity**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 826,639	\$ -	\$ 40,592	\$ 786,047	\$ 42,338
Compensated absences	36,000	-	1,409	34,591	-
Other post-employment benefits	34,897	-	31,788	3,109	-
Total governmental activities	<u>897,536</u>	<u>-</u>	<u>73,789</u>	<u>823,747</u>	<u>42,338</u>
Business-type activities:					
General obligation debt	\$ 2,137,000	\$ -	\$ 44,000	\$ 2,093,000	\$ 46,000
Installment purchase	483,909	-	467,579	16,330	16,330
Compensated absences	21,174	-	4,415	16,759	-
Other post-employment benefits	15,849	-	14,398	1,451	-
Total business-type activities	<u>2,657,932</u>	<u>-</u>	<u>530,392</u>	<u>2,127,540</u>	<u>62,330</u>

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

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011, consists of the following:

From the General Fund to the CDBG Project Fund	\$ 80,000
From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund	<u>50,027</u>
Total	<u>\$ 130,027</u>

D. Prior Period Adjustment

Monies from federal stimulus funds were considered a 100% cash grant, instead of a 50% grant and 50% loan. Therefore an adjustment to beginning net assets has been recorded to account for this change, the net effect of which decreased beginning net assets by \$451,242.

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 993,046
Less:	
Stabilization by State Statute	130,904
Streets – Powell Bill	240,347
Appropriated Fund Balance in 2012 budget	71,769
Remaining Fund Balance	<u>550,026</u>

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

<i>Encumbrances</i>	General Fund	Non-Major Funds
-	\$ -	\$ -

IV. JOINT VENTURES

The Town and the members of the Town’s fire department each appoint two members to the five-member local board of trustees for the Fireman’s Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Fireman’s Relief Fund is funded by a portion of the fire and lightning insurance premiums, which insurers remit to the State. The State passes these moneys to the local board of the Fireman’s Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to member of the Town’s fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2011. The Fireman’s Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Fireman’s Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, NC 27603.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2011

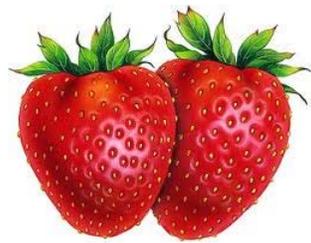
V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. Federal and State Assisted Programs

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

B. Contingencies

The Town has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefits could accrue in the year following the discharge of employees.



Required Supplementary Financial Data

TOWN OF CHADBOURN, NORTH CAROLINA

Other Postemployment Benefits

Required Supplementary Information

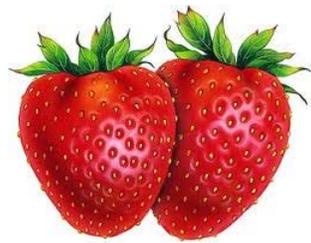
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 279,999	\$ 279,999	0.00%	\$ 790,275	35.43%
12/31/2010	-	8,960	8,960	0.00%	791,450	1.13%

TOWN OF CHADBOURN, NORTH CAROLINA

Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 50,746	0.00%
2011	2,280	0.00%



Major Governmental Funds

General Fund

TOWN OF CHADBOURN, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 488,277	
Penalties and Interest		29,430	
Total Ad Valorem Taxes	\$ 484,500	517,707	\$ 33,207
Other Taxes and Licenses			
Privilege Licenses		11,440	
CATV Franchise		3,241	
Total Other Taxes and Licenses	28,500	14,681	(13,819)
Unrestricted Intergovernmental			
Local Option Sales Tax		286,147	
Utility Franchise Tax		106,527	
Beer and Wine Tax		9,352	
ABC Profit Distribution		-	
Total Unrestricted Intergovernmental	407,800	402,026	(5,774)
Restricted Intergovernmental			
Powell Bill Allocation		66,917	
Bulletproof Vest Partnership Program		1,963	
COPS Hiring Recovery Program		42,349	
Edward Byrne Memorial JAG		2,689	
Solid Waste Disposal Tax		1,458	
ABC Revenue for Law Enforcement		423	
Total Restricted Intergovernmental	110,798	115,799	5,001
Permits and Fees			
Inspection Fees		8,330	
Zoning Permits		7,375	
Total Permits and Fees	18,000	15,705	(2,295)
Sales and Services			
Recreation Fees		30,169	
Rents		6,890	
Solid Waste		224,664	
Total Sales and Services	272,724	261,723	(11,001)
Investment Earnings			
General		1,380	
Powell Bill		319	
Total Investment Earnings	1,350	1,699	349
Miscellaneous			
Other		69,446	
Total Miscellaneous	40,634	69,446	28,812
Total Revenues	1,364,306	1,398,786	34,480

TOWN OF CHADBOURN, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries, Wages and Employee Benefits		7,213	
Other Expenditures		5,727	
Total Governing Body	13,215	12,940	275
Administration			
Salaries, Wages and Employee Benefits		199,842	
Other Expenditures		39,002	
Capital Outlay		4,020	
Total Administration	243,095	242,864	231
Civic Center			
Other Expenditures		11,347	
Total Civic Center	12,750	11,347	1,403
Public Buildings			
Other Expenditures		13,629	
Total Public Buildings	13,639	13,629	10
Police			
Salaries, Wages and Employee Benefits		458,917	
Other Expenditures		68,241	
Capital Outlay		3,651	
Total Police	525,289	530,809	(5,520)
Inspections			
Salaries, Wages and Employee Benefits		12,567	
Other Expenditures		7,601	
Total Inspections	21,790	20,168	1,622
Fire			
Salaries, Wages and Employee Benefits		31,875	
Other Expenditures		30,953	
Total Fire	69,029	62,828	6,201
Street Department			
Other Expenditures		85,895	
Capital Outlay		2,800	
Total Street Department	89,614	88,695	919
Powell Bill			
Salaries, Wages and Employee Benefits		29,689	
Other Expenditures		93,309	
Total Powell Bill	129,131	122,998	6,133

TOWN OF CHADBOURN, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Sanitation			
Other Expenditures		265,836	
Total Sanitation	248,429	265,836	(17,407)
Recreation			
Salaries, Wages and Employee Benefits		41,954	
Other Expenditures		28,291	
Capital Outlay		8,722	
Total Recreation	79,796	78,967	829
Special Appropriations			
Other Expenditures		69,506	
Total Special Appropriations	138,936	69,506	69,430
Debt Service			
Principal Retirement		40,592	
Interest and Other Charges		36,062	
Total Debt Service	76,655	76,654	1
Total Expenditures	1,661,368	1,597,241	64,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	(297,062)	(198,455)	98,607
Other Financing Sources (Uses)			
Transfers Out:			
CDBG Project Fund	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	(80,000)	(80,000)	-
Fund Balance Appropriated	377,062	-	(377,062)
Net Change in Fund Balance	\$ -	\$ (278,455)	\$ (278,455)
Fund Balance - Beginning of Year		1,271,501	
Fund Balance - End of Year		\$ 993,046	

Major Governmental Funds

Capital Project Funds

TOWN OF CHADBOURN, NORTH CAROLINA
 CDBG Capital Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Totals to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues					
Restricted Intergovernmental					
Community Development Block Grant	\$ 850,000	\$ -	\$ 666,915	\$ 666,915	\$ (183,085)
Expenditures					
Current					
Community Development Capital Outlay	935,000	1,202	751,242	752,444	182,556
Total Expenditures	<u>935,000</u>	<u>1,202</u>	<u>751,242</u>	<u>752,444</u>	<u>182,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(85,000)</u>	<u>(1,202)</u>	<u>(84,327)</u>	<u>(85,529)</u>	<u>(529)</u>
Other Financing Sources (Uses)					
Transfers in:					
General Fund	85,000	-	80,000	80,000	(5,000)
Total Other Financing Sources (Uses)	<u>85,000</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>(5,000)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(1,202)</u>	(4,327)	\$ <u>(5,529)</u>	\$ <u>(5,529)</u>
Fund Balance - Beginning			<u>1,019</u>		
Fund Balance - Ending			\$ <u>(3,308)</u>		

Enterprise Funds

TOWN OF CHADBOURN, NORTH CAROLINA
 Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Water Charges		\$ 449,872	
Sewer Charges		330,438	
Water and Sewer Taps		5,742	
Reserve Assessments		53,335	
Other		12,759	
Total Operating Revenues	\$ 945,153	852,146	\$ (93,007)
Nonoperating Revenues			
Investment Earnings		159	
Miscellaneous		1,225	
	312	1,384	1,072
Total Revenues	945,465	853,530	(91,935)
Expenditures			
Water Operations			
Salaries and Employee Benefits		69,363	
Other Expenditures		146,532	
Total Water Operations	233,059	215,895	17,164
Wastewater Treatment			
Salaries and Employee Benefits		75,880	
Other Expenditures		177,964	
Total Wastewater Treatment	272,879	253,844	19,035
Sewer Operations			
Salaries and Employee Benefits		196,661	
Other Expenditures		55,955	
Total Sewer Operations	250,713	252,616	(1,903)
Debt Service			
Principal Retirement		511,579	
Interest and Other Charges		89,321	
Total Debt Service	638,075	600,900	37,175
Total Expenditures	1,394,726	1,323,255	71,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	(449,261)	(469,725)	(20,464)

TOWN OF CHADBOURN, NORTH CAROLINA
 Water and Sewer Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Appropriated Fund Balance	24,724	-	(24,724)
Clean Water State Revolving Fund (CWSRF)	451,245	451,242	(3)
NCREDC - Infrastructure Study	-	7,750	7,750
Transfers Out:			
Water and Sewer Capital Reserve Fund	(26,708)	(50,027)	(23,319)
Total Other Financing Sources (Uses)	449,261	408,965	(40,296)
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	\$ -	\$ (60,760)	\$ (60,760)

TOWN OF CHADBOURN, NORTH CAROLINA
 Water and Sewer Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses		<u>\$ (60,760)</u>	
Reconciling Items:			
Depreciation Expense		(207,230)	
Capital Outlay		-	
Principal Retirement		511,579	
Decrease in Compensated Absences Payable		4,415	
Decrease in Other Postemployment Benefits		14,398	
Capital Contributions		282,400	
Transfer out to Water and Sewer Capital Reserve Fund		50,027	
Change in Application of Capitalization Policy		<u>(981,209)</u>	
Total Reconciling Items		<u>(325,620)</u>	
Change in Net Assets		<u>\$ (386,380)</u>	

TOWN OF CHADBOURN, NORTH CAROLINA
 Water and Sewer Capital Reserve Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Other Financing Sources			
Transfers in:			
Water and Sewer Fund	-	50,027	(50,027)
Total Other Financing Sources	-	50,027	(50,027)
Appropriated Fund Balance	-	-	-
Revenues and Other Sources	\$ -	\$ 50,027	\$ (50,027)

TOWN OF CHADBOURN, NORTH CAROLINA
 1st Avenue Water and Sewer Project
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2011

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues					
ARRA - Clean Water SRF	\$ 1,204,000	\$ 775,292	\$ 126,561	\$ 901,853	\$ (302,147)
NCREDC	500,000	305,170	155,839	461,009	(38,991)
Total Revenues	1,704,000	1,080,462	282,400	1,362,862	(341,138)
Expenditures					
1st Avenue					
Engineering	179,110	159,687	14,225	173,912	5,198
Construction	1,342,120	901,730	195,375	1,097,105	245,015
Contingency	67,106	-	-	-	67,106
Legal and Administrative	165,760	77,664	40,057	117,721	48,039
Total Expenditures	1,754,096	1,139,081	249,657	1,388,738	365,358
Revenues Over (Under)					
Expenditures	(50,096)	(58,619)	32,743	(25,876)	24,220
Other Financing Sources					
Transfers in:					
Water and Sewer Fund	50,096	-	-	-	(50,096)
Total Other Financing Sources	50,096	-	-	-	(50,096)
Revenues and Other Financing					
Sources Over (Under) Expenditures	\$ -	\$ (58,619)	\$ 32,743	\$ (25,876)	\$ (25,876)

Other Schedules

TOWN OF CHADBOURN, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2011

Fiscal Year	Uncollected Balance 7-1-10	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-11
2010-11	\$ -	\$ 476,272	\$ 421,166	\$ 55,106
2009-10	76,748	-	46,866	29,882
2008-09	39,414	-	12,923	26,491
2007-08	15,988	-	3,693	12,295
2006-07	13,271	-	1,956	11,315
2005-06	10,246	-	1,267	8,979
2004-05	3,691	-	230	3,461
2003-04	2,038	-	100	1,938
2002-03	1,567	-	48	1,519
2001-02	1,307	-	28	1,279
2000-01	1,275	-	1,275	-
	<u>\$ 165,545</u>	<u>\$ 476,272</u>	<u>\$ 489,552</u>	152,265

Less: Allowance for Uncollectible Accounts:

General Fund

15,000

Ad Valorem Taxes Receivable - Net

137,265

Reconcilement with Revenues

Ad Valorem Taxes - General Fund

517,707

Reconciling Items:

Interest and Penalties Collected

(29,430)

Taxes Released

-

Taxes Written Off

1,275

Total Collections and Credits

\$ 489,552

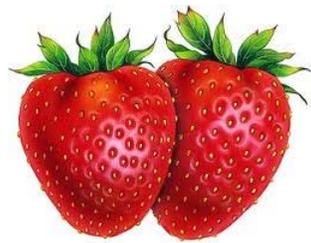
TOWN OF CHADBOURN, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

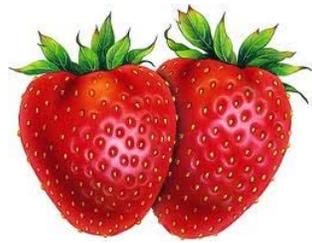
June 30, 2011

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 76,413,610	0.620	\$ 476,272	\$ 428,066	\$ 48,206
Discoveries:					
Current Year Taxes	-	0.620	-	-	-
Penalties	-		-	-	-
Abatements:					
Property Taxes - Current Year's Rate	-	0.620	-	-	-
Total Property Valuations	<u>\$ 76,413,610</u>				
Net Levy			476,272	428,066	48,206
Uncollected Taxes at June 30, 2011			55,106	34,821	20,285
Current Year's Taxes Collected			<u>\$ 421,166</u>	<u>\$ 393,245</u>	<u>\$ 27,921</u>
Current Levy Collection Percentage			<u>88.43%</u>	<u>91.87%</u>	<u>57.92%</u>





Compliance Section



Compliance Section



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**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***

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

We have audited the accompanying financial statements of the governmental activities, the business activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the Town of Chadbourn, North Carolina, as of and for the year ended June 30, 2011 which collectively comprise the Town of Chadbourn's basic financial statements, and have issued our report thereon dated June 29, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the West Columbus ABC Board, as described in our report on the Town of Chadbourn's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the West Columbus ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Chadbourn, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Chadbourn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Chadbourn's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 11-1, 11-2, and 11-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chadbourn, North Carolina'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-4.

Town of Chadbourn, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Chadbourn, North Carolina's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management of the Town of Chadbourn, North Carolina, Board of Commissioners, others within the entity, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

S. Preston Douglas & Associates, LLP

October 25, 2011



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Report On Compliance With Requirements Applicable To Each Major Federal Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

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

Compliance

We have audited the Town of Chadbourn, North Carolina, compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Chadbourn, North Carolina's major federal programs for the year ended June 30, 2011. The Town of Chadbourn's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Chadbourn's management. Our responsibility is to express an opinion on the Town of Chadbourn's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chadbourn's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Chadbourn's compliance with those requirements.

In our opinion, the Town of Chadbourn, North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town of Chadbourn is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Chadbourn's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Chadbourn's internal control over compliance.

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

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

This report is intended solely for the information and use of, management, others within the entity, members of the Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

S. Preston Douglas & Associates, LLP

October 25, 2011



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Report On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With Applicable Sections of OMB
Circular A-133 and the State Single Audit Implementation Act**

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

Compliance

We have audited the Town of Chadbourn, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. The Town of Chadbourn's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Chadbourn's management. Our responsibility is to express an opinion on the Town of Chadbourn's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Chadbourn's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Chadbourn's compliance with those requirements.

In our opinion, the Town of Chadbourn complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town of Chadbourn is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Chadbourn's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

S. Preston Douglas & Associates, LLP

October 25, 2011

TOWN OF CHADBOURN, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2011

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses

 Yes X None

Noncompliance material to financial statements noted

 X Yes No

TOWN OF CHADBOURN, NORTH CAROLINA
 Schedule of Findings and Questioned Costs (Continued)
 For the Fiscal Year Ended June 30, 2011

SECTION I. SUMMARY OF AUDITOR'S RESULTS
--

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiency(s) identified that are not considered to be material weaknesses _____ Yes _____ X None

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

Any audit findings disclosed that are required to be reported in accordance with the Section 510(a) of Circular A-133 _____ Yes _____ X No

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Program \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 11-1 Segregation of Duties

MATERIAL WEAKNESS

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

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

Effect: Transactions could be mishandled.

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

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. Duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. The governing board will become more involved in providing some of these controls.

Finding: 11-2 Prior Period Adjustment

MATERIAL WEAKNESS

Criteria: Restatement of previously issued financial statements to reflect the correction of a material misstatement, which includes misstatements due to error or fraud, is considered a material weakness.

Condition: The Town recorded a prior period adjustment.

Effect: This is a strong indicator of a material weakness in internal control.

Cause: Monies from federal stimulus funds were considered a 100% cash grant, instead of a 50% grant and 50% loan.

Recommendation: The Finance Officer should ensure that all loans amounts are properly recorded, budgeted, and included in the financial statements.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding.

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

Finding: 11-3 Credit Cards

MATERIAL WEAKNESS

Criteria:

All expenditures should be authorized and include supporting documentation.

Condition:

Credit card statements and/or payments did not have supporting documentation and related credit card payments were drafted from financial institutions.

Effect:

Transactions could be mishandled and/or not authorized.

Cause:

Finance did not require and/or maintain proper authorization and documentation.

Recommendation:

The Finance Officer should ensure that all documentation and authorization is included before any payments are disbursed by the Town.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding.

Finding: 11-4 Appropriations

MATERIAL NONCOMPLIANCE

Criteria:

G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition:

Town of Chadbourn expended \$22,927 more for police and sanitation than appropriated in the annual budget ordinance.

Effect:

Moneys were spent that had not been appropriated.

Cause:

Budget amendments were not adopted.

Recommendation:

Budget amendments should be adopted when encumbrances exceed estimated expenditures in the budget ordinance prior to purchase orders being issued.

Views of Responsible Officials and Planned Corrective Actions:

The Town agrees with this finding. Budget amendments will be adopted when needed.

TOWN OF CHADBOURN, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

TOWN OF CHADBOURN, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2011



SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS
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None Reported.

TOWN OF CHADBOURN, NORTH CAROLINA

Corrective Action Plan

For the Fiscal Year Ended June 30, 2011

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 11-1

Name of Contact Person: Pat Garrell, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of segregation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately

Finding: 11-2

Name of Contact Person: Pat Garrell, Finance Officer

Corrective Action: The Finance Officer will ensure that accounts and balances are properly recorded.

Proposed Completion Date: Immediately

Finding: 11-3

Name of Contact Person: Pat Garrell, Finance Officer

Corrective Action: The Finance Officer will ensure that all payments are properly authorized and include supporting documentation.

Proposed Completion Date: Immediately

Finding: 11-4

Name of Contact Person: Pat Garrell, Finance Officer

Corrective Action: The Board members will review a budget-to-actual report prepared by the Finance Officer at each monthly board meeting. Budget amendments will be made as necessary.

Proposed Completion Date: Immediately

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported

TOWN OF CHADBOURN, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2011

Finding: 10-1

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 10-2

Status: Corrected

Finding: 10-3

Status: Corrected

Finding: 09-1

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

TOWN OF CHADBOURN, NORTH CAROLINA
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Housing and Urban Development</u>					
<i>Passed thru N.C. Department of Commerce and Community Investment and Assistance</i>					
Community Development Block Grants	14.228	08-C-1873	\$ 666,915	\$ -	\$ -
<u>U.S. Environmental Protection Agency</u>					
<i>Passed thru N.C. Department of Commerce and Community Investment and Assistance</i>					
ARRA - Clean Water State Revolving Fund	66.458	-	126,561	-	-
<u>U.S. Department of Justice</u>					
Bulletproof Vest Partnership Program	16.607	-	1,963	-	-
<i>Passed thru N.C. Department of Crime Control and Public Safety</i>					
COPS Hiring Recovery Program	16.710	-	42,349	-	-
Edward Byrne Memorial Justice Assistance Grant	16.738	-	2,689	-	-
Total Federal Awards			840,477	-	-
State Awards:					
<u>N.C. Department of Transportation</u>					
Non-State System Street-Aid Allocation (Powell Bill)					
	-	DOT-4	-	138,798	-
<u>N.C. Department of Environment and Natural Resources</u>					
Clean Water Management Trust Fund	-	2008-508	-	451,242	-
<u>N.C. Rural Economic Development Center</u>					
2009 Clean Water Partners Planning					
Infrastructure Grant	-	-	-	155,839	-
Infrastructure Study	-	-	-	7,750	-
Total State Awards			-	753,629	-
Total Federal and State Awards			\$ 840,477	\$ 753,629	\$ -

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Chadbourn, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

