

# Chadbourn

North Carolina

Annual Financial Report



For The Year Ended  
June 30, 2013



**TOWN OF CHADBOURN, NORTH CAROLINA**

Report of Audit

For the Fiscal Year Ended June 30, 2013



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	5
Management's Discussion and Analysis .....	8
 <i>Basic Financial Statements</i> 	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	18
Statement of Activities.....	20
 <i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	27
Statement of Fund Net Position – Proprietary Fund.....	28
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	31
Statement of Cash Flows – Proprietary Fund .....	32
Notes to the Financial Statements .....	34
 <i>Required Supplementary Financial Data</i> 	
Schedule of Funding Progress – Other Postemployment Benefits .....	60
Schedule of Employer Contributions – Other Postemployment Benefits.....	61
 <i>Major Governmental Funds – General Fund</i> 	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	64

***Major Governmental Funds – Capital Project Funds***

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual From Inception – CDBG Capital Project Fund.....	68
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***Enterprise Funds***

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund .....	70
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water Capital Reserve Fund.....	73
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) from Inception – 1 <sup>st</sup> Avenue Water and Sewer Project .....	74
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Stormwater Fund.....	75

***Other Schedules***

Schedule of Ad Valorem Taxes Receivable – General Fund.....	78
Analysis of Current Tax Levy.....	79

**COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	82
Report on Compliance for Each Major State Program and on Internal Control over Compliance; in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.....	84
Schedule of Findings and Questioned Costs .....	86
Corrective Action Plan .....	90
Summary Schedule of Prior Audit Findings .....	91
Schedule of Expenditures of State Awards .....	92
Notes to Schedule of Expenditures of State Awards .....	93



## Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements



## Independent Auditor's Report

To the Honorable Mayor  
And the Town Council  
Chadbourn, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Columbus ABC Board. Those statements were audited by another auditor whose report has 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 report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the West Columbus ABC Board were not audited in accordance with Government Auditing Standards.

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

accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chadbourn, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Chadbourn, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and 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.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the

report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013 on our consideration of Town of Chadbourn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chadbourn's internal control over financial reporting and compliance.

***W Greene & Company PLLC***

September 27, 2013

## Management's Discussion and Analysis

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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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

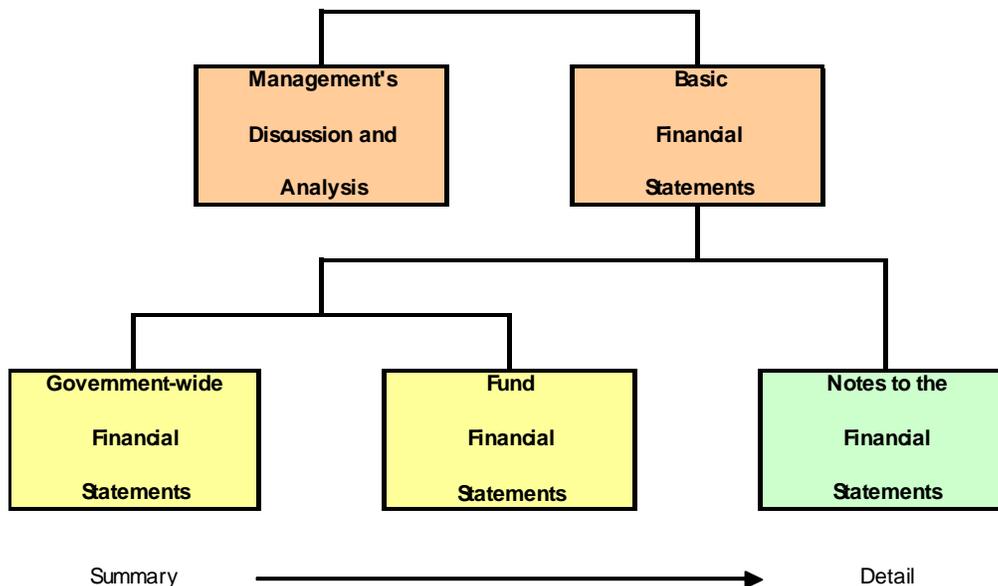
- The assets and deferred outflows of resources of the Town of Chadbourn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,108,977 (net position).
- The government's total net position increased by \$317,306, primarily due to an increase in capital grants and contributions.
- As of the close of the current fiscal year, the Town of Chadbourn's governmental funds reported combined ending fund balances of \$817,074, with a decrease of \$174,287 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$556,554 or 38.67 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 18 through 21) 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 22 through 33) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; and 2) business-type activities; and 3) component units. 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 final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 18 through 21 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 two categories: governmental funds and proprietary funds.

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

The Town of 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.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 34 through 57 of this report.

Government-Wide Financial Analysis

The Town of Chadbourn's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,049,114	\$ 1,181,360	\$ 775,504	\$ 652,269	\$ 1,824,618	\$ 1,833,629
Capital assets	2,396,936	2,493,370	8,943,876	8,556,670	11,340,812	11,050,040
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	3,446,050	3,674,730	9,719,380	9,208,939	13,165,430	12,883,669
Long-term liabilities outstanding	713,551	743,423	2,097,934	2,170,171	2,811,485	2,913,594
Other liabilities	73,457	41,321	170,066	137,084	243,523	178,405
Deferred inflows of resources	321	-	1,124	-	1,445	-
Total liabilities and deferred inflows of resources	787,329	784,744	2,269,124	2,307,255	3,055,008	3,091,999
Net position:						
Net investment in capital assets	1,557,615	1,749,661	6,795,978	6,341,890	8,353,593	8,091,551
Restricted	187,216	373,088	-	-	187,216	373,088
Unrestricted	913,890	767,238	654,278	559,794	1,568,168	1,327,032
Total net position	\$ 2,658,721	\$ 2,889,987	\$ 7,450,256	\$ 6,901,684	\$ 10,108,977	\$ 9,791,671

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Chadbourn exceeded liabilities and deferred inflows by \$10,108,977 as of June 30, 2013. The Town's net position increased by \$317,306 for the fiscal year ended June 30, 2013. However, the largest portion (82.63%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Chadbourn uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Chadbourn's net 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 Chadbourn's net position \$187,216 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$1,568,168 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 81.49%

## Management's Discussion and Analysis (Continued)

### The Town of Chadbourn's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 278,841	\$ 349,408	\$ 1,046,593	\$ 1,026,622	\$ 1,325,434	\$ 1,376,030
Operating grants and contributions	65,736	109,165	-	-	65,736	109,165
Capital grants and contributions	-	183,085	487,600	99,242	487,600	282,327
General Revenues						
Property taxes	490,828	502,065	-	-	490,828	502,065
Other taxes	400,238	414,785	-	-	400,238	414,785
ABC Profit Distribution	-	-	-	-	-	-
Other	40,375	91,236	78	14,142	40,453	105,378
<b>Total revenues</b>	<b>1,276,018</b>	<b>1,649,744</b>	<b>1,534,271</b>	<b>1,140,006</b>	<b>2,810,289</b>	<b>2,789,750</b>
<b>Expenses:</b>						
Governing Body	7,661	17,009	-	-	7,661	17,009
Administration	203,250	206,169	-	-	203,250	206,169
Civic Center	4,296	3,541	-	-	4,296	3,541
Public Buildings	12,811	12,870	-	-	12,811	12,870
Police	506,429	573,683	-	-	506,429	573,683
Inspections	21,095	18,953	-	-	21,095	18,953
Fire	27,165	49,020	-	-	27,165	49,020
Street Department	94,816	98,247	-	-	94,816	98,247
Powell Bill	258,443	53,359	-	-	258,443	53,359
Sanitation	176,833	289,916	-	-	176,833	289,916
Recreation	39,767	65,830	-	-	39,767	65,830
Community Development	-	-	-	-	-	-
Special Appropriations	122,059	46,463	-	-	122,059	46,463
Interest on long-term debt	32,659	34,316	-	-	32,659	34,316
Stormwater	-	-	16,275	13,470	16,275	13,470
Water and Sewer	-	-	969,424	1,263,186	969,424	1,263,186
<b>Total expenses</b>	<b>1,507,284</b>	<b>1,469,376</b>	<b>985,699</b>	<b>1,276,656</b>	<b>2,492,983</b>	<b>2,746,032</b>
Increase(Decrease) in net position before transfers	(231,266)	180,368	548,572	(136,650)	317,306	43,718
Transfers	-	-	-	-	-	-
Change in net position	(231,266)	180,368	548,572	(136,650)	317,306	43,718
Net position, July 1	2,889,987	2,709,619	6,901,684	7,038,334	9,791,671	9,747,953
Net position, June 30	\$ 2,658,721	\$ 2,889,987	\$ 7,450,256	\$ 6,901,684	\$ 10,108,977	\$ 9,791,671

**Governmental activities.** Governmental activities decreased the Town's net position by \$231,266. Key element of this decrease is as follows:

- Tax revenues decreased during the year.

## Management's Discussion and Analysis (Continued)

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**Business-type activities.** Business-type activities increased the Town of Chadbourn's net position by \$548,572 primarily due to decreased expenses in water and sewer fund.

### 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 \$686,343, while total fund balance reached \$816,282. The Town currently has an available fund balance of 47.7 percent of total General Fund expenditures, while total fund balance represents 56.7 percent of the same amount.

At June 30, 2013, the governmental funds of Town of Chadbourn reported a combined fund balance of \$817,074, with a net decrease in fund balance of \$174,287. Included in this change in fund balance are decreases in fund balance in the General.

**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 less than the budgeted amounts primarily because the Town did not receive some of the unrestricted intergovernmental funds that were anticipated. 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 position of the Proprietary Fund at the end of the fiscal year amounted to \$654,278. The total change in net position for the Proprietary Fund was an increase of \$548,572.

## 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, 2013, totals \$11,340,812 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Infrastructure (including water and sewer lines)

#### The Town of Chadbourn's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 117,520	\$ 117,520	\$ -	\$ -	\$ 117,520	\$ 117,520
Construction in Progress	-	930,227	618,060	-	618,060	930,227
Buildings	1,312,932	1,343,363	-	-	1,312,932	1,343,363
Plant and Distribution	-	-	8,247,687	8,461,238	8,247,687	8,461,238
Vehicles and Equipment	54,861	102,260	78,129	95,432	132,990	197,692
Infrastructure	911,623	-	-	-	911,623	-
<b>Total</b>	<b>\$ 2,396,936</b>	<b>\$ 2,493,370</b>	<b>\$ 8,943,876</b>	<b>\$ 8,556,670</b>	<b>\$ 11,340,812</b>	<b>\$ 11,050,040</b>

Additional information on the Town's capital assets can be found on page 43 in the Notes to the Financial Statements.

**Management's Discussion and Analysis (Continued)**

**Long-term Debt.** As of June 30, 2013, the Town of Chadbourn had total debt outstanding of \$2,858,475. Of this, \$1,999,000 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	
	2013	2012	2013	2012	2013	2012
Installment Purchases	\$ 710,577	\$ 743,709	\$ 148,898	\$ 167,780	\$ 859,475	\$ 911,489
General Obligation Debt	-	-	1,999,000	2,047,000	1,999,000	2,047,000
<b>Total</b>	<b>\$ 710,577</b>	<b>\$ 743,709</b>	<b>\$ 2,147,898</b>	<b>\$ 2,214,780</b>	<b>\$ 2,858,475</b>	<b>\$ 2,958,489</b>

The Town of Chadbourn's total debt decreased by \$100,014 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 \$6,195,945. The Town of Chadbourn does not have any authorized but un-issued debt at June 30, 2013.

Additional information regarding the Town of Chadbourn's long-term debt can be found beginning on page 52 in the Notes to the Financial Statements.

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

The following key economic indicators reflect the current status 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, 2014**

**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 increase 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*

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**TOWN OF CHADBOURN, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2013**

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 669,054	\$ 650,381	\$ 1,319,435	\$ 216,095
Receivables (net):				
Ad Valorem Taxes	162,055	-	162,055	-
Interest	30,789	-	30,789	-
Accounts	17,891	105,809	123,700	-
Inventories	-	-	-	70,479
Prepaid Expenses	-	-	-	5,955
Due from Component Unit	3,502	-	3,502	-
Due from Other Governments	108,546	19,314	127,860	-
Restricted Cash and Cash Equivalents	57,277	-	57,277	-
<b>Total Current Assets</b>	<b>1,049,114</b>	<b>775,504</b>	<b>1,824,618</b>	<b>292,529</b>
Noncurrent Assets:				
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	117,520	-	117,520	-
Other Capital Assets, Net of Depreciation	2,279,416	8,943,876	11,223,292	111,024
<b>Total Noncurrent Assets</b>	<b>2,396,936</b>	<b>8,943,876</b>	<b>11,340,812</b>	<b>111,024</b>
<b>Total Assets</b>	<b>\$ 3,446,050</b>	<b>\$ 9,719,380</b>	<b>\$ 13,165,430</b>	<b>\$ 403,553</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Statement of Net Position (Continued)  
June 30, 2013

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 38,875	35,727	\$ 74,602	\$ 72,464
Customer Deposits	-	65,406	65,406	-
Due to Primary Government	-	-	-	3,502
Distributions Payable	-	-	-	-
Current Portion of Long-Term Liabilities	34,582	68,933	103,515	-
<b>Total Current Liabilities</b>	<b>73,457</b>	<b>170,066</b>	<b>243,523</b>	<b>75,966</b>
Long-Term Liabilities:				
Due in More Than One year	713,551	2,097,934	2,811,485	-
<b>Total Liabilities</b>	<b>787,008</b>	<b>2,268,000</b>	<b>3,055,008</b>	<b>75,966</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid Water Billings	-	1,124	1,124	-
Prepaid Taxes	321	-	321	-
<b>Total Deferred Inflows of Resources</b>	<b>321</b>	<b>1,124</b>	<b>1,445</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,557,615	6,795,978	8,353,593	106,160
Restricted for:				
Transportation	57,277	-	57,277	-
Stabilization by State Statute	129,939	-	129,939	-
Capital Improvements	-	-	-	139,884
Working Capital	-	-	-	18,039
Unrestricted	913,890	654,278	1,568,168	63,504
<b>Total Net Position</b>	<b>\$ 2,658,721</b>	<b>\$ 7,450,256</b>	<b>\$ 10,108,977</b>	<b>\$ 327,587</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Governing Body	\$ 7,661	\$ -	\$ -	\$ -
Administration	203,250	14,954	-	-
Civic Center	4,296	-	-	-
Public Buildings	12,811	-	-	-
Police	506,429	-	377	-
Inspections	21,095	10,527	-	-
Fire	27,165	-	-	-
Street Department	94,816	-	-	-
Powell Bill	258,443	-	64,200	-
Sanitation	176,833	246,115	1,159	-
Recreation	39,767	7,245	-	-
Special Appropriations	122,059	-	-	-
Community Development	-	-	-	-
Interest on long-term debt	32,659	-	-	-
<b>Total Governmental Activities</b>	<b>1,507,284</b>	<b>278,841</b>	<b>65,736</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Water and Sewer	969,424	1,025,065	-	487,600
Stormwater	16,275	21,528	-	-
<b>Total Business-Type Activities</b>	<b>985,699</b>	<b>1,046,593</b>	<b>-</b>	<b>487,600</b>
<b>Total Primary Government</b>	<b>2,492,983</b>	<b>1,325,434</b>	<b>65,736</b>	<b>487,600</b>
<b>Component Units:</b>				
West Columbus ABC Board	573,403	606,517	-	-
<b>Total Component Units</b>	<b>\$ 573,403</b>	<b>\$ 606,517</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

- Property Taxes, Levied for General Purpose
- Other Taxes and Licenses
- Investment Earnings
- Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position - Beginning of Year**

**Net Position - End of Year**

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-Type Activities	Totals	West Columbus ABC Board	
\$ (7,661)	\$ -	\$ (7,661)	\$ -	
(188,296)	-	(188,296)	-	
(4,296)		(4,296)	-	
(12,811)		(12,811)	-	
(506,052)	-	(506,052)	-	
(10,568)		(10,568)	-	
(27,165)	-	(27,165)	-	
(94,816)	-	(94,816)	-	
(194,243)	-	(194,243)	-	
70,441	-	70,441	-	
(32,522)	-	(32,522)	-	
(122,059)		(122,059)	-	
-	-	-	-	
(32,659)	-	(32,659)	-	
(1,162,707)	-	(1,162,707)	-	
-	543,241	543,241	-	
-	5,253	5,253	-	
-	548,494	548,494	-	
(1,162,707)	548,494	(614,213)	-	
-	-	-	33,114	
-	-	-	33,114	
490,828	-	490,828	-	
400,238	-	400,238	-	
577	73	650	552	
39,798	5	39,803	-	
-	-	-	-	
931,441	78	931,519	552	
(231,266)	548,572	317,306	33,666	
2,889,987	6,901,684	9,791,671	293,921	
\$ 2,658,721	\$ 7,450,256	\$ 10,108,977	\$ 327,587	

**TOWN OF CHADBOURN, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2013

	<b>Major Funds</b>		
	<b>General</b>	<b>CDBG Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 668,262	\$ 792	\$ 669,054
Restricted Cash	57,277	-	57,277
Receivables (net):			
Ad Valorem Taxes	162,055	-	162,055
Sanitation	17,891	-	17,891
Due from Component Unit	3,502	-	3,502
Due from Other Governments	108,546	-	108,546
<b>Total Assets</b>	<b>1,017,533</b>	<b>792</b>	<b>1,018,325</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	38,875	-	38,875
<b>Total Liabilities</b>	<b>38,875</b>	<b>-</b>	<b>38,875</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Receivable	162,055	-	162,055
Prepaid Taxes	321	-	321
<b>Total Deferred Inflows of Resources</b>	<b>162,376</b>	<b>-</b>	<b>162,376</b>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	129,939	-	129,939
Streets	57,277	-	57,277
Assigned			
Subsequent Year's Expenditures:	72,512	792	73,304
Unassigned	556,554	-	556,554
<b>Total Fund Balances</b>	<b>816,282</b>	<b>792</b>	<b>817,074</b>
<b>Total Liabilities, Deferred Inflows of     Resources, and Fund Balances</b>	<b>\$ 1,017,533</b>	<b>\$ 792</b>	

**TOWN OF CHADBOURN, NORTH CAROLINA**

Balance Sheet (Continued)

Governmental Funds

June 30, 2013

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	<b>Total Governmental Funds</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 817,074
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	2,864,518
Accumulated depreciation	<u>(467,582)</u>
	2,396,936
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>30,789</u>
	30,789
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Ad valorem taxes	<u>162,055</u>
	162,055
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases	(710,577)
Other postemployment benefits	(5,956)
Compensated absences	<u>(31,600)</u>
	(748,133)
<b>Net position of governmental activities.</b>	<u><u>\$ 2,658,721</u></u>

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<u>Major Funds</u>		Total Governmental Funds
	General Fund	CDBG Capital Project Fund	
<b>Revenues</b>			
Ad Valorem Taxes	\$ 479,793	\$ -	\$ 479,793
Other Taxes and Licenses	14,954	-	14,954
Unrestricted Intergovernmental	400,238	-	400,238
Restricted Intergovernmental	65,736	-	65,736
Permits and Fees	10,527	-	10,527
Sales and Services	253,360	-	253,360
Investment Earnings	577	-	577
Miscellaneous	39,798	-	39,798
<b>Total Revenues</b>	<u>1,264,983</u>	<u>-</u>	<u>1,264,983</u>
<b>Expenditures</b>			
Current			
Governing Body	7,661	-	7,661
Administration	169,334	-	169,334
Civic Center	4,296	-	4,296
Public Buildings	12,811	-	12,811
Police	469,264	-	469,264
Inspections	21,095	-	21,095
Fire	26,175	-	26,175
Street Department	68,294	-	68,294
Powell Bill	258,091	-	258,091
Sanitation	176,833	-	176,833
Recreation	37,567	-	37,567
Special Appropriations	122,059	-	122,059
Debt Service			
Principal	33,131	-	33,131
Interest and Other charges	32,659	-	32,659
Capital Outlay			
Police	-	-	-
<b>Total Expenditures</b>	<u>1,439,270</u>	<u>-</u>	<u>1,439,270</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(174,287)</u>	<u>-</u>	<u>(174,287)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(174,287)</u>	<u>-</u>	<u>(174,287)</u>
<b>Fund Balance - Beginning of Year</b>	<u>990,569</u>	<u>792</u>	<u>991,361</u>
<b>Fund Balance - End of Year</b>	<u>\$ 816,282</u>	<u>\$ 792</u>	<u>\$ 817,074</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 (Continued)  
Governmental Funds  
For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	\$	(174,287)
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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	-	
Depreciation expense	<u>(96,434)</u>	(96,434)

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

Change in unavailable revenue for tax revenues	9,388	
Interest earned on ad valorem taxes	<u>1,647</u>	11,035

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance	-	
Debt retirement	<u>33,131</u>	33,131

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	(1,620)	
Compensated absences	<u>(3,091)</u>	(4,711)

Total changes in net position of governmental activities	<u>\$</u>	<u>(231,266)</u>
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*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina

**TOWN OF CHADBOURN, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	
<b>Revenues</b>				
Ad Valorem Taxes	\$ 483,353	\$ 483,353	\$ 479,793	\$ (3,560)
Other Taxes and Licenses	20,000	20,000	14,954	(5,046)
Unrestricted Intergovernmental	376,061	391,350	400,238	8,888
Restricted Intergovernmental	64,558	64,558	65,736	1,178
Permits and Fees	9,500	9,500	10,527	1,027
Sales and Services	276,000	283,105	253,360	(29,745)
Investment Earnings	310	310	577	267
Miscellaneous	-	18,077	39,798	21,721
<b>Total Revenues</b>	<b>1,229,782</b>	<b>1,270,253</b>	<b>1,264,983</b>	<b>(5,270)</b>
<b>Expenditures</b>				
Governing Body	9,000	9,000	7,661	1,339
Administration	186,259	186,259	169,334	16,925
Civic Center	5,750	5,750	4,296	1,454
Public Buildings	13,200	23,640	12,811	10,829
Police	522,584	527,411	494,330	33,081
Inspections	19,440	22,540	21,095	1,445
Fire	39,500	39,500	26,175	13,325
Street Department	70,930	76,555	68,294	8,261
Powell Bill	68,377	264,986	258,091	6,895
Sanitation	238,500	238,500	176,833	61,667
Recreation	3,593	44,160	37,567	6,593
Special Appropriations	114,302	127,815	162,783	(34,968)
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>1,291,435</b>	<b>1,566,116</b>	<b>1,439,270</b>	<b>126,846</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(61,653)</b>	<b>(295,863)</b>	<b>(174,287)</b>	<b>121,576</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(61,653)</b>	<b>(295,863)</b>	<b>(174,287)</b>	<b>121,576</b>
<b>Appropriated Fund Balance</b>	<b>61,653</b>	<b>295,863</b>	<b>-</b>	<b>(295,863)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(174,287)</b>	<b>\$ (174,287)</b>
<b>Fund Balance - Beginning of Year</b>			<b>990,569</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 816,282</b>	

**TOWN OF CHADBOURN, NORTH CAROLINA**

## Statement of Fund Net Position

## Proprietary Fund

June 30, 2013

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	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 639,282	\$ 11,099	\$ 650,381
Accounts Receivable (net)	103,213	2,596	105,809
Due from Other Government	19,314	-	19,314
<b>Total Current Assets</b>	<b>761,809</b>	<b>13,695</b>	<b>775,504</b>
<b>Noncurrent Assets</b>			
Capital Assets			
Other Capital Assets, Net of			
Depreciation	8,943,876	-	8,943,876
<b>Total Capital Assets</b>	<b>8,943,876</b>	<b>-</b>	<b>8,943,876</b>
<b>Total Noncurrent Assets</b>	<b>8,943,876</b>	<b>-</b>	<b>8,943,876</b>
<b>Total Assets</b>	<b>\$ 9,705,685</b>	<b>\$ 13,695</b>	<b>\$ 9,719,380</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Statement of Fund Net Position (Continued)  
Proprietary Fund  
June 30, 2013

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 35,727	\$ -	\$ 35,727
Customer Deposits	65,406	-	65,406
Installment Purchase Obligations Payable	19,433	-	19,433
General Obligations Bonds Payable	49,500	-	49,500
<b>Total Current Liabilities</b>	<b>170,066</b>	<b>-</b>	<b>170,066</b>
<b>Noncurrent Liabilities</b>			
Installment Purchase Obligation Payable	129,465	-	129,465
General Obligations Bonds Payable	1,949,500	-	1,949,500
Other Postemployment Benefits	3,511	-	3,511
Compensated Absences Payable	15,458	-	15,458
<b>Total Noncurrent Liabilities</b>	<b>2,097,934</b>	<b>-</b>	<b>2,097,934</b>
<b>Total Liabilities</b>	<b>2,268,000</b>	<b>-</b>	<b>2,268,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Utilities	1,124	-	1,124
<b>Total Deferred Inflows of Resources</b>	<b>1,124</b>	<b>-</b>	<b>1,124</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets Unrestricted	6,795,978 640,583	- 13,695	6,795,978 654,278
<b>Total Net Position</b>	<b>\$ 7,436,561</b>	<b>\$ 13,695</b>	<b>\$ 7,450,256</b>



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2013

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Water Charges	\$ 520,406	\$ -	\$ 520,406
Sewer Charges	455,002	-	455,002
Water and Sewer Taps	2,515	-	2,515
Reserve Assessments	47,142	-	47,142
Stormwater Fees	-	21,528	21,528
<b>Total Operating Revenues</b>	<b>1,025,065</b>	<b>21,528</b>	<b>1,046,593</b>
<b>Operating Expenses</b>			
Water Operations	158,421	-	158,421
Wastewater Treatment	242,324	-	242,324
Sewer Operations	240,278	-	240,278
Stormwater	-	16,275	16,275
Depreciation	230,854	-	230,854
<b>Total Operating Expenses</b>	<b>871,877</b>	<b>16,275</b>	<b>888,152</b>
<b>Operating Income (Loss)</b>	<b>153,188</b>	<b>5,253</b>	<b>158,441</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment Earnings	73	-	73
Miscellaneous	-	5	5
Interest Expense	(97,547)	-	(97,547)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(97,474)</b>	<b>5</b>	<b>(97,469)</b>
<b>Total Income (Loss) Before Contributions and Transfers</b>	<b>55,714</b>	<b>5,258</b>	<b>60,972</b>
Capital Contributions	487,600	-	487,600
Transfers to Other Funds	-	-	-
<b>Change in Net Position</b>	<b>543,314</b>	<b>5,258</b>	<b>548,572</b>
<b>Net Position - Beginning of Year</b>	<b>6,893,247</b>	<b>8,437</b>	<b>6,901,684</b>
<b>Net Position - End of Year</b>	<b>\$ 7,436,561</b>	<b>\$ 13,695</b>	<b>\$ 7,450,256</b>

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, 2013

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers and Users	\$ 1,000,401	\$ 22,181	\$ 1,022,582
Cash Paid for Goods and Services	(352,534)	(16,275)	(368,809)
Cash Paid to or on Behalf of Employees for Services	(277,720)	-	(277,720)
Customer Deposits Received	3,450	-	3,450
Customer Deposits Returned	(4,022)	-	(4,022)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>369,575</b>	<b>5,906</b>	<b>375,481</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers out	-	-	-
<b>Cash Flows from Capital Financing Activities</b>			
Acquisition of Capital Assets	(618,060)	-	(618,060)
Interest Paid on Bond Obligations and Equipment Contracts	(97,547)	-	(97,547)
Principal Paid on Bond Obligations and Equipment Contracts	(66,882)	-	(66,882)
Installment Purchase Obligations Issued	-	-	-
Capital Contributions - State Grants	487,600	-	487,600
Capital Contributions - Federal Grants	-	-	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>(294,889)</b>	<b>-</b>	<b>(294,889)</b>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	73	5	78
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	<b>74,759</b>	<b>5,911</b>	<b>80,670</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>564,523</b>	<b>5,188</b>	<b>569,711</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 639,282</b>	<b>\$ 11,099</b>	<b>\$ 650,381</b>

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, 2013

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 153,188	\$ 5,253	\$ 158,441
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	230,854	-	230,854
Miscellaneous Income	-	-	-
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(25,788)	653	(25,135)
(Increase) Decrease in Due from Other Governments	(17,430)	-	(17,430)
Increase (Decrease) in Accounts Payable and Accrued Liab	31,503	-	31,503
Increase (Decrease) in Prepaid Items	1,124	-	1,124
Increase (Decrease) in Customer Deposits	(572)	-	(572)
Increase (Decrease) in Compensated Absences Payable	(4,264)	-	(4,264)
Increase (Decrease) in Other Postemployment Benefits	960	-	960
<b>Total Adjustments</b>	<b>216,387</b>	<b>653</b>	<b>217,040</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 369,575</b>	<b>\$ 5,906</b>	<b>\$ 375,481</b>

## 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, 505 Joe Brown Highway North, Chadbourn, North Carolina 28431.

### B. Basis of Presentation, Basis of Accounting

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**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.

**CDBG Capital Project Fund** – This fund is used to account for grant funds that are assigned for a particular use.

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.

**Stormwater Fund** – This fund is used to account for the Town's stormwater operations.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting (Continued)**

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.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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, Columbus County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Chadbourn. For motor vehicles registered under the staggered system, 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**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 Finance Officer 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, Deferred Outflows/Inflows of Resources, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by 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; obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town 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.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair values as determined by quoted market prices.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. West Columbus 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Restricted Assets**

Powell bill funds are 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.

**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.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Capital Assets (Continued)**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	50
Infrastructure	50
Vehicles	6
Furniture and Equipment	10

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	50
Vehicles	7
Furniture and equipment	10

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, and property taxes receivable, and prepaid utilities.

**9. Long-Term Obligations**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Long-Term Obligations (Continued)**

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

**10. Compensated Absences**

The vacation policies of the Town 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.

**11. Net Position/Fund Balances**

Net Position

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**11. Net Position/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.

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

## TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

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### II. DETAIL NOTES ON ALL FUNDS

#### A. Assets

##### 1. Deposits

All of the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits 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, 2013, the Town's deposits had a carrying amount of \$457,023 and a bank balance of \$525,524. 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 \$216,095 and the bank balance was \$215,449. All of the bank balance was covered by federal depository insurance. At June 30, 2013, the Town's petty cash fund totaled \$120.

##### 2. Investments

At June 30, 2013, the Town of Chadbourn had \$919,569 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

Fund	06/30/2013
General Fund	
Taxes Receivable	\$ 19,000
Sanitation	40,000
Total	<u>59,000</u>
Enterprise Funds	
Utilities	195,000
Storm Water	1,000
Total	<u>\$ 255,000</u>

4. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 117,520	\$ -	\$ -	\$ 117,520
Construction in Progress	930,227	-	930,227	-
Total capital assets not being depreciated	<u>1,047,747</u>	-	<u>930,227</u>	<u>117,520</u>
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	1,521,549	-	-	1,521,549
Equipment and Vehicles	295,222	-	-	295,222
Infrastructure	-	930,227	-	930,227
Total capital assets being depreciated	<u>1,816,771</u>	<u>930,227</u>	-	<u>2,746,998</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	178,186	30,431	-	208,617
Equipment and Vehicles	192,962	47,399	-	240,361
Infrastructure	-	18,604	-	18,605
Total accumulated depreciation	<u>371,148</u>	<u>96,434</u>	-	<u>467,582</u>
Total capital assets being depreciated, net	<u>1,445,623</u>			<u>2,279,416</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 2,493,370</u>			<u>\$ 2,396,936</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

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

	<u>Depreciation</u>
Administration	\$ 31,276
Police	36,436
Street Department	26,522
Recreation	<u>2,200</u>
Total	<u>\$ 96,434</u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	-	\$ -
Construction in Progress	-	618,060	-	618,060
Total capital assets not being Depreciated	-	618,060	-	618,060
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	10,784,480	-	-	10,784,480
Other Equipment	137,882	-	-	137,882
Total capital assets being Depreciated	<u>10,922,362</u>	-	-	<u>10,922,362</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	-	-	-	-
Infrastructure	2,323,242	213,551	-	2,536,793
Other Equipment	42,450	17,303	-	59,753
Total accumulated depreciation	<u>2,365,692</u>	230,854	-	<u>2,596,546</u>
Total capital assets being depreciated, net	<u>8,556,670</u>			<u>8,325,816</u>
<b>Water and Sewer Fund capital assets, net</b>	<u>\$ 8,556,670</u>			<u>\$ 8,943,876</u>

II. 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, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated</b>				
Land	\$ 67,702	\$ -	\$ -	\$ 67,702
Construction in Progress	19,376	7,281	-	26,657
Total capital assets not being depreciated	87,078	7,281	-	94,359
<b>Capital assets being depreciated:</b>				
Store fixtures and equipment	36,648	12,971	-	49,619
Office furniture	14,440	-	-	14,440
Total capital assets being depreciated	51,088	12,971	-	64,059
<b>Less accumulated depreciation for:</b>				
Store fixtures and equipment	30,927	2,027	-	32,954
Office furniture	14,440	-	-	14,440
Total accumulated depreciation	45,367	2,027	-	47,394
Total capital assets being depreciated, net	5,721			16,665
<b>West Columbus ABC Board capital assets, net</b>	<b>\$ 92,799</b>			<b>\$ 111,024</b>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Town of Chadbourn and West Columbus ABC Board contribute 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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 6.74% and 6.77%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.74% 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, 2013, 2012 and 2011 were \$44,153, \$58,668, and \$48,991 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$1,792, \$1,714, and \$1,641, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total	<u>9</u>

A separate report was not issued for the plan.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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.

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, 2013 were \$14,167, which consisted of \$13,257 from the Town and \$910 from the law enforcement officers.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

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II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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, 2013, total contributions to the plan equaled \$13,270, all from the participating employees.

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	\$	2,579
Interest on net OPEB obligation		21
Adjustment to annual required contribution		(20)
Annual OPEB cost (expense)		<u>2,580</u>
Contributions made		<u>-</u>
Increase (decrease) in net OPEB obligation		2,580
Net OPEB obligation, beginning of year		6,887
Net OPEB obligation, end of year	\$	<u><u>9,467</u></u>

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

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II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit (Continued)

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, 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	2,580	0.00%	9,467
2012	2,237	0.00%	6,887
2011	2,280	0.00%	4,560

**Funded Status and Funding Progress.** As of December 31, 2012, the actuarial accrued liability for benefits was \$9,467, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$671,952, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.41%.

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.

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.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**d. Other Postemployment Benefit (Continued)**

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.

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, 2013, was twenty six years.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Other Employment Benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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.

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

Deferred inflows of resources at year-end are composed of the following:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 321
Taxes receivable (General Fund)	162,055	-
Prepaid water billings (Water and Sewer Fund)	-	1,124
Total	<u>\$ 162,055</u>	<u>\$ 1,445</u>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**4. Risk Management (Continued)**

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

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2013, the Town did not have any litigation pending.

**6. 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%.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

In March 2012 the Town entered into an installment loan in the amount of \$42,780 for a new computer software system. The financing contract requires principal payment beginning March 2013. Principal installments of \$9,152 are due annually on March 28 at an annual interest rate of 2.290%.

In November 2011 the Town entered into an installment loan in the amount of \$125,000 for new Radio Read Meters. The financing contract requires principal payment beginning November 2012. Principal installments of \$14,947 are due annually on March 28 at an annual interest rate of 3.390%.

For Town of Chadbourn, the future minimum payments as of June 30, 2013, including \$557,472 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 34,582	\$ 31,208
2015	36,092	29,698
2016	12,610	28,114
2017	13,164	27,560
2018	13,741	26,983
2019-2023	78,296	125,324
2024-2028	97,049	106,571
2029-2033	120,299	83,322
2034-2038	149,123	54,497
2039-2043	155,621	19,005
Total	\$ 710,577	\$ 532,282

Year Ending June 30	Water and Sewer Activities	
	Principal	Interest
2014	\$ 19,433	\$ 4,667
2015	19,999	4,100
2016	20,583	3,516
2017	21,185	2,915
2018	12,652	2,295
2019-2022	55,046	4,743
Total	\$ 148,898	\$ 22,236

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

**II. 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 Town. Principal and interest payments are appropriated when due.

The Town's general obligation bonds payable at June 30, 2013 are comprised of the following individual issues:

Serviced by the Town's Water and Sewer Fund:

\$49,000 Series 1979 Water and Sewer Bonds		
Principal and interest due on June 1, in annual installments through June 1, 2019	\$	37,000
\$2,044,000 Series 1999 Water and Sewer Bonds		
Principal and interest due on June 1, in annual installments through June 1, 2039		1,962,000
Total	\$	<u>1,999,000</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	\$ 49,500	\$ 90,140
2015	51,500	87,883
2016	53,500	85,535
2017	56,000	83,098
2018	58,000	80,547
2019-2023	301,000	362,735
2024-2028	366,500	290,115
2029-2033	439,000	202,005
2034-2038	520,000	93,600
2039	104,000	4,680
Total	<u>\$ 1,999,000</u>	<u>\$ 1,380,338</u>

At June 30, 2013, the Town of Chadbourn had a legal debt margin of \$6,195,945.

II. 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
<b>Governmental activities:</b>					
Installment purchase	\$ 743,708	\$ -	\$ 33,131	\$ 710,577	\$ 34,582
Compensated absences	28,509	3,091	-	31,600	-
Other post-employment benefits	4,336	1,620	-	5,956	-
Total governmental activities	<u>\$ 776,553</u>	<u>\$ 4,711</u>	<u>\$ 33,131</u>	<u>\$ 748,133</u>	<u>\$ 34,582</u>
<b>Business-type activities:</b>					
General obligation debt	\$ 2,047,000	\$ -	\$ 48,000	\$ 1,999,000	\$ 49,500
Installment purchase	167,780	-	18,882	148,898	19,433
Compensated absences	19,722	-	4,264	15,458	-
Other post-employment benefits	2,551	960	-	3,511	-
Total business-type activities	<u>\$ 2,237,053</u>	<u>\$ 960</u>	<u>\$ 71,146</u>	<u>\$ 2,166,867</u>	<u>\$ 68,933</u>

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2013, consists of the following:

From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund	\$ 30,516
Total	<u>\$ 30,516</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**D. 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>	\$	816,282
Less:		
Stabilization by State Statute		129,147
Streets – Powell Bill		57,277
Appropriated Fund Balance in 2014 budget		72,512
Remaining Fund Balance		557,346

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
\$ -	\$ -	\$ -

**III. 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 members 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, 2013. 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.

**IV. 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.

**TOWN OF CHADBOURN, NORTH CAROLINA**

Notes to Financial Statements (Continued)

June 30, 2013

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**V. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina

*Required Supplementary  
Financial Data*

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**TOWN OF CHADBOURN, NORTH CAROLINA**

Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
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%
12/31/2011	-	9,916	9,916	0.00%	787,750	1.26%
12/31/2012	-	12,791	12,791	0.00%	671,952	1.90%

**TOWN OF CHADBOURN, NORTH CAROLINA**

Other Postemployment Benefits

Required Supplementary Information

Schedule of Employer Contributions

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<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%
2012	2,327	0.00%
2013	2,580	0.00%



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina

*Major Governmental Funds*

*General Fund*

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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, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 468,416	
Penalties and Interest		11,377	
<b>Total Ad Valorem Taxes</b>	<b>\$ 483,353</b>	<b>479,793</b>	<b>\$ (3,560)</b>
<b>Other Taxes and Licenses</b>			
Privilege Licenses		14,954	
<b>Total Other Taxes and Licenses</b>	<b>20,000</b>	<b>14,954</b>	<b>(5,046)</b>
<b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		290,500	
Utility Franchise Tax		102,305	
Beer and Wine Tax		7,433	
<b>Total Unrestricted Intergovernmental</b>	<b>391,350</b>	<b>400,238</b>	<b>8,888</b>
<b>Restricted Intergovernmental</b>			
Powell Bill Allocation		64,200	
Federal Grants		-	
State Grants		-	
ABC Revenue for Law Enforcement		377	
Solid Waste Disposal Tax		1,159	
<b>Total Restricted Intergovernmental</b>	<b>64,558</b>	<b>65,736</b>	<b>1,178</b>
<b>Permits and Fees</b>			
Inspection Fees		6,225	
Zoning Permits		4,302	
<b>Total Permits and Fees</b>	<b>9,500</b>	<b>10,527</b>	<b>1,027</b>
<b>Sales and Services</b>			
Recreation Fees		7,245	
Solid Waste		246,115	
<b>Total Sales and Services</b>	<b>283,105</b>	<b>253,360</b>	<b>(29,745)</b>
<b>Investment Earnings</b>			
General		507	
Powell Bill		70	
<b>Total Investment Earnings</b>	<b>310</b>	<b>577</b>	<b>267</b>
<b>Miscellaneous</b>			
Other		39,798	
<b>Total Miscellaneous</b>	<b>18,077</b>	<b>39,798</b>	<b>21,721</b>
<b>Total Revenues</b>	<b>1,270,253</b>	<b>1,264,983</b>	<b>(5,270)</b>

**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, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		\$ 4,791	
Other Expenditures		2,870	
<b>Total Governing Body</b>	<b>\$ 9,000</b>	<b>7,661</b>	<b>\$ 1,339</b>
<b>Administration</b>			
Salaries and Employee Benefits		153,083	
Other Expenditures		16,251	
<b>Total Administration</b>	<b>186,259</b>	<b>169,334</b>	<b>16,925</b>
<b>Civic Center</b>			
Other Expenditures		4,296	
<b>Total Civic Center</b>	<b>5,750</b>	<b>4,296</b>	<b>1,454</b>
<b>Public Buildings</b>			
Other Expenditures		12,811	
<b>Total Public Buildings</b>	<b>23,640</b>	<b>12,811</b>	<b>10,829</b>
<b>Police</b>			
Salaries and Employee Benefits		395,074	
Other Expenditures		74,190	
Debt Service			
Principal		22,044	
Interest		3,022	
<b>Total Police</b>	<b>527,411</b>	<b>494,330</b>	<b>33,081</b>
<b>Inspections</b>			
Salaries and Employee Benefits		12,231	
Other Expenditures		8,864	
<b>Total Inspections</b>	<b>22,540</b>	<b>21,095</b>	<b>1,445</b>
<b>Fire</b>			
Salaries and Employee Benefits		6,727	
Other Expenditures		19,448	
<b>Total Fire</b>	<b>39,500</b>	<b>26,175</b>	<b>13,325</b>
<b>Street Department</b>			
Other Expenditures		68,294	
<b>Total Street Department</b>	<b>76,555</b>	<b>68,294</b>	<b>8,261</b>
<b>Powell Bill</b>			
Salaries and Employee Benefits		33,010	
Other Expenditures		225,081	
<b>Total Powell Bill</b>	<b>264,986</b>	<b>258,091</b>	<b>6,895</b>

**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, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Sanitation</b>			
Other Expenditures		176,833	
<b>Total Sanitation</b>	238,500	176,833	61,667
<b>Recreation</b>			
Salaries and Employee Benefits		14,093	
Other Expenditures		23,474	
<b>Total Recreation</b>	44,160	37,567	6,593
<b>Special Appropriations</b>			
Other Expenditures		122,059	
Debt Service			
Principal		11,087	
Interest		29,637	
<b>Total Special Appropriations</b>	127,815	162,783	(34,968)
<b>Total Expenditures</b>	1,566,116	1,439,270	126,846
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(295,863)	(174,287)	121,576
<b>Other Financing Sources (Uses)</b>			
Transfers In:			
CDBG Project Fund	-	-	-
Transfers Out:			
CDBG Project Fund	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Fund Balance Appropriated</b>	295,863	-	(295,863)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (174,287)</u>	<u>\$ (174,287)</u>
<b>Fund Balance - Beginning of Year</b>		990,569	
<b>Fund Balance - End of Year</b>		<u>\$ 816,282</u>	

*Major Governmental Funds*

*Capital Project Funds*

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**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, 2013

	<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>		
<b>Revenues</b>					
<b>  Restricted Intergovernmental</b>					
Community Development					
Block Grant	\$ <u>850,000</u>	\$ <u>850,000</u>	\$ <u>-</u>	\$ <u>850,000</u>	\$ <u>-</u>
<b>Expenditures</b>					
<b>  Current</b>					
Community Development					
Capital Outlay	<u>935,000</u>	<u>930,227</u>	<u>-</u>	<u>930,227</u>	<u>4,773</u>
<b>Total Expenditures</b>	<u>935,000</u>	<u>930,227</u>	<u>-</u>	<u>930,227</u>	<u>4,773</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(85,000)</u>	<u>(80,227)</u>	<u>-</u>	<u>(80,227)</u>	<u>4,773</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in:					
General Fund	<u>85,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>(5,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>85,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>(5,000)</u>
<b>Net Change in Fund Balance</b>	\$ <u><u>-</u></u>	\$ <u><u>(227)</u></u>	<u>-</u>	\$ <u><u>(227)</u></u>	\$ <u><u>(227)</u></u>
<b>Fund Balance - Beginning</b>			<u>792</u>		
<b>Fund Balance - Ending</b>			\$ <u><u>792</u></u>		

## *Enterprise Funds*

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**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, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Operating Revenues</b>			
Water Charges		\$ 520,406	
Sewer Charges		455,002	
Water and Sewer Taps		2,515	
Reserve Assessments		47,142	
<b>Total Operating Revenues</b>	<b>\$ 860,550</b>	<b>1,025,065</b>	<b>\$ 164,515</b>
<b>Nonoperating Revenues</b>			
Investment Earnings		73	
Miscellaneous		-	
<b>Total Nonoperating Revenues</b>	<b>11,735</b>	<b>73</b>	<b>(11,662)</b>
<b>Total Revenues</b>	<b>872,285</b>	<b>1,025,138</b>	<b>152,853</b>
<b>Expenditures</b>			
<b>Water Operations</b>			
Salaries and Employee Benefits		62,436	
Other Expenditures		95,182	
Capital Outlay		24,900	
Debt Service			
Principal		24,882	
Interest		7,367	
<b>Total Water Operations</b>	<b>248,949</b>	<b>214,767</b>	<b>34,182</b>
<b>Wastewater Treatment</b>			
Salaries and Employee Benefits		41,742	
Other Expenditures		205,017	
<b>Total Wastewater Treatment</b>	<b>276,601</b>	<b>246,759</b>	<b>29,842</b>
<b>Sewer Operations</b>			
Salaries and Employee Benefits		170,237	
Other Expenditures		69,713	
Debt Service			
Principal		42,000	
Interest		90,180	
<b>Total Sewer Operations</b>	<b>400,465</b>	<b>372,130</b>	<b>28,335</b>
<b>Total Expenditures</b>	<b>926,015</b>	<b>833,656</b>	<b>92,359</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(53,730)</b>	<b>191,482</b>	<b>245,212</b>

**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, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	93,530	-	(93,530)
NCREDC- Infrastructure Study	12,000	12,000	-
Transfers In:			
Water and Sewer Capital Reserve Fund	-	16,750	16,750
Transfers Out:			
Water and Sewer Capital Reserve Fund	(51,800)	(47,266)	4,534
<b>Total Other Financing Sources (Uses)</b>	<b>53,730</b>	<b>(18,516)</b>	<b>(72,246)</b>
<b>Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 172,966</b>	<b>\$ 172,966</b>

**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, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		\$ 172,966	
Reconciling Items:			
Depreciation Expense		(230,854)	
Capital Outlay		24,900	
Principal Retirement		66,882	
Installment Loan Proceeds		-	
Decrease in Compensated Absences Payable		4,264	
Increase in Other Postemployment Benefits		(960)	
Capital Contributions		475,600	
Interest income from Phase 1 Water System Improvement Capital Project		-	
Transfer out from Water and Sewer Capital Reserve Fund		30,516	
Total Reconciling Items		<u>370,348</u>	
<b>Change in Net Position</b>		<u>\$ 543,314</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, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
Water and Sewer Fund	-	47,266	47,266
Transfers out:			
Water and Sewer Fund	-	(16,750)	(16,750)
<b>Total Other Financing Sources (Uses)</b>	-	30,516	30,516
<b>Appropriated Fund Balance</b>	-	-	-
<b>Revenues Over Other Financing Sources (Uses)</b>	\$ -	\$ 30,516	\$ 30,516

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Phase 1 Water System Improvement Capital Project  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
NCREDC	\$ 500,000	\$ -	\$ 475,600	\$ 475,600	\$ (24,400)
Investment Interest	-	92	-	92	92
<b>Total Revenues</b>	<b>500,000</b>	<b>92</b>	<b>475,600</b>	<b>475,692</b>	<b>(24,308)</b>
<b>Expenditures</b>					
Water Operations					
Surveying	5,000	-	-	-	5,000
Engineering	38,742	-	38,742	38,742	-
Construction Administrative	25,190	-	19,158	19,158	6,032
Resident Observation	23,124	-	16,187	16,187	6,937
Grant Administration	25,000	-	17,538	17,538	7,462
Legal	4,000	-	181	181	3,819
Construction	503,944	-	501,354	501,354	2,590
<b>Total Expenditures</b>	<b>625,000</b>	<b>-</b>	<b>593,160</b>	<b>593,160</b>	<b>31,840</b>
<b>Revenues Over (Under) Expenditures</b>					
	(125,000)	92	(117,560)	(117,468)	7,532
<b>Other Financing Sources</b>					
Installment Loan Proceeds	125,000	125,000	-	125,000	-
<b>Total Other Financing Sources</b>	<b>125,000</b>	<b>125,000</b>	<b>-</b>	<b>125,000</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>					
	\$ -	\$ 125,092	\$ (117,560)	\$ 7,532	\$ 7,532

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Stormwater Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Operating Revenues</b>			
Stormwater Fees		\$ 21,528	
<b>Total Operating Revenues</b>	<b>\$ 21,000</b>	<b>21,528</b>	<b>\$ 528</b>
<b>Nonoperating Revenues</b>			
Investment Earnings		-	
Miscellaneous		5	
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>Total Revenues</b>	<b>21,000</b>	<b>21,533</b>	<b>533</b>
<b>Expenditures</b>			
<b>Stormwater</b>			
Other Expenditures		16,275	
<b>Total Water Operations</b>	<b>21,000</b>	<b>16,275</b>	<b>4,725</b>
<b>Total Expenditures</b>	<b>21,000</b>	<b>16,275</b>	<b>4,725</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 5,258</b>	<b>\$ 5,258</b>

**TOWN OF CHADBOURN, NORTH CAROLINA**  
 Stormwater Fund  
 Schedule of Revenues and Expenditures (Continued)  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		\$ 5,258	
Reconciling Items:			
Depreciation Expense		-	
Capital Outlay		-	
Total Reconciling Items		-	
<b>Change in Net Position</b>		<u>\$ 5,258</u>	

*Other Schedules*

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**TOWN OF CHADBOURN, NORTH CAROLINA**

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-12</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-13</u>
2012-13	\$ -	\$ 480,480	\$ 391,547	\$ 88,933
2011-12	68,169	-	45,843	22,326
2010-11	27,121	-	12,359	14,762
2009-10	23,282	-	9,493	13,789
2008-09	16,200	-	3,555	12,645
2007-08	10,442	-	2,005	8,437
2006-07	10,106	-	1,107	8,999
2005-06	8,386	-	973	7,413
2004-05	3,038	-	578	2,460
2003-04	1,410	-	119	1,291
2002-03	1,513	-	1,513	-
	<u>\$ 169,667</u>	<u>\$ 480,480</u>	<u>\$ 469,092</u>	181,055

Less: Allowance for Uncollectible Accounts:

General Fund

19,000

Ad Valorem Taxes Receivable - Net

\$ 162,055

Reconciliation with Revenues

Ad Valorem Taxes - General Fund

\$ 479,793

Reconciling Items:

Interest and Penalties Collected

(11,377)

Taxes Released

9,215

Taxes Written Off

9,891

Total Collections and Credits

\$ 469,092

**TOWN OF CHADBOURN, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2013

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at					
Current Year's Rate	\$ 77,449,311	0.620	\$ 480,186	\$ 428,062	\$ 52,124
Penalties	-		294	294	-
	<u>77,449,311</u>		<u>480,480</u>	<u>428,356</u>	<u>52,124</u>
<b>Discoveries:</b>					
Current Year Taxes	-	0.620	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rate	-	0.620	\$ -	-	-
	<u>-</u>		<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>Total Property Valuations</b>	<u>\$ 77,449,311</u>				
<b>Net Levy</b>			480,480	428,356	52,124
<b>Uncollected Taxes at June 30, 2013</b>			88,933	68,009	20,924
<b>Current Year's Taxes Collected</b>			<u>\$ 391,547</u>	<u>\$ 360,347</u>	<u>\$ 31,200</u>
<b>Current Levy Collection Percentage</b>			<u>81.49%</u>	<u>84.12%</u>	<u>59.86%</u>



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina



## **Compliance Section**



## *Compliance Section*

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**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters  
Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

To the Honorable Mayor  
And the Town Council  
Town of Chadbourn, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprises the Town of Chadbourn's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report includes a reference to other auditors who 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 of the financial statements, we considered the Town of Chadbourn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chadbourn's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*W Greene & Company PLLC*

September 27, 2013

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**Report on Compliance for Each Major State Program and on Internal Control Over Compliance;  
In accordance with OMB Circular A-133 and the  
State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Honorable Mayor  
And the Town Council  
Town of Chadbourn, North Carolina

**Report on Compliance for Each Major State Program**

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 the Town of Chadbourn's major state programs for the year ended June 30, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Chadbourn's major state programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Chadbourn's compliance.

## **Opinion on Each Major State Program**

In our opinion, the Town of Chadbourn complied, in all material respects, with the types of 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, 2013.

## **Report on Internal Control Over Compliance**

Management of the Town of Chadbourn is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chadbourn's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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'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 a 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*W Greene & Company PLLC*

September 27, 2013

**TOWN OF CHADBOURN, NORTH CAROLINA**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013



<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

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

Noncompliance material to financial statements noted \_\_\_\_\_ Yes \_\_\_\_\_ X No



**TOWN OF CHADBOURN, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2013

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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*None Reported.*

**TOWN OF CHADBOURN, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2013

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<b>SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS</b>
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*None Reported.*

**TOWN OF CHADBOURN, NORTH CAROLINA**

Corrective Action Plan

For the Fiscal Year Ended June 30, 2013



**SECTION II. FINANCIAL STATEMENT FINDINGS**

*None Reported*

**SECTION III. 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, 2013

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*Finding: 10-1*

Status: Corrected

**TOWN OF CHADBOURN, NORTH CAROLINA**

Schedule of Expenditures of State Awards

For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	State/ Pass-through Grantor's Number	State Expenditures	Local Expenditures
<b>State Awards:</b>			
<u>N.C. Department of Transportation</u>			
Non-State System Street-Aid Allocation (Powell Bill)	DOT-4	\$ 258,038	\$ -
<u>N.C. Rural Economic Development Center</u>			
Special Appropriations -			
Phase 1 Water System Improvements	2010-240-40101-112	475,600	117,560
Infrastructure Study	2011-020-40101-102	12,000	-
		<u>\$ 745,638</u>	<u>\$ 117,560</u>
<b>Total State Awards</b>			

**I. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state awards includes the 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.



*The* **North Carolina  
Strawberry Festival**

Chadbourn, North Carolina



