

TOWN OF CHADBOURN, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2016



The **North Carolina
Strawberry Festival**

Chadbourn, North Carolina

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Financial Section

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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Chadbourn's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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, 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, 2016, 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, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and 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 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, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

W Greene PLLC

Whiteville, North Carolina
September 20, 2016

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, 2016. 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

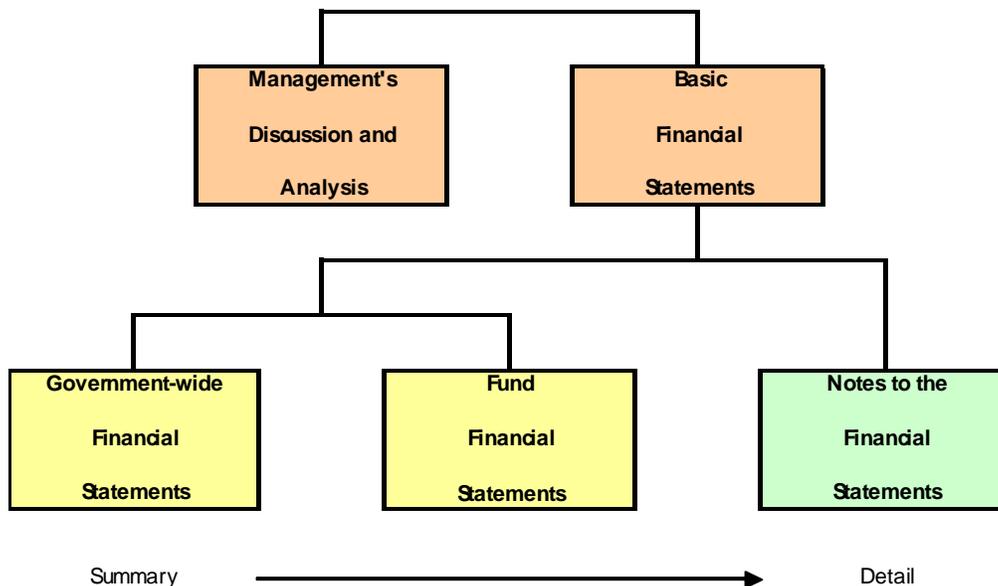
- The assets and deferred outflows of resources of the Town of Chadbourn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,757,466 (net position).
- The government's total net position increased by \$455,058, primarily due to an increase in capital grants and contributions.
- As of the close of the current fiscal year, the Town of Chadbourn's governmental funds reported combined ending fund balances of \$1,482,494, with an increase of \$285,564 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,254,768 or 111.83 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 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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.

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, sewer, and stormwater 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 63 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Chadbourn's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the state of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of Chadbourn's Net Position

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,641,129	\$ 1,396,647	\$ 1,200,117	\$ 958,374	\$ 2,841,246	\$ 2,355,021
Capital assets	2,267,585	2,336,370	8,431,533	8,661,783	10,699,118	10,998,153
Deferred outflows of resources	27,878	30,516	10,671	12,289	38,549	42,805
Total assets and deferred outflows of resources	3,936,592	3,763,533	9,642,321	9,632,446	13,578,913	13,395,979
Long-term liabilities outstanding	694,904	709,506	1,872,747	1,939,740	2,567,651	2,649,246
Other liabilities	46,007	73,103	172,550	207,020	218,557	280,123
Deferred inflows of resources	25,485	117,060	9,754	47,142	35,239	164,202
Total liabilities and deferred inflows of resources	766,396	899,669	2,055,051	2,193,902	2,821,447	3,093,571
Net position:						
Net investment in capital assets	1,593,990	1,609,521	6,517,150	6,661,157	8,111,140	8,270,678
Restricted	227,726	175,390	-	-	227,726	175,390
Unrestricted	1,348,480	1,078,953	1,070,120	777,387	2,418,600	1,856,340
Total net position	\$ 3,170,196	\$ 2,863,864	\$ 7,587,270	\$ 7,438,544	\$ 10,757,466	\$ 10,302,408
Total Liabilities and Net Position	3,936,592	3,763,533	9,642,321	9,632,446	13,578,913	13,395,979

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 \$10,757,466 as of June 30, 2016. The Town's net position increased by \$455,058 for the fiscal year ended June 30, 2016. However, the largest portion (75.40%) 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 \$227,726 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$2,418,600 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 86.63%

Management's Discussion and Analysis (Continued)

The Town of Chadbourn's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 281,863	\$ 292,199	\$ 1,169,103	\$ 1,023,224	\$ 1,450,966	\$ 1,315,423
Operating grants and contributions	96,946	66,437	-	-	96,946	66,437
Capital grants and contributions	-	19,989	-	15,000	-	34,989
General Revenues						
Property taxes	541,986	499,851	-	-	541,986	499,851
Other taxes	486,403	440,262	-	-	486,403	440,262
Other	21,731	89,540	4,346	6,795	26,077	96,335
Total revenues	1,428,929	1,408,278	1,173,449	1,045,019	2,602,378	2,453,297
Expenses:						
Governing Body	63,861	32,205	-	-	63,861	32,205
Administration	232,306	185,043	-	-	232,306	185,043
Civic Center	4,076	5,783	-	-	4,076	5,783
Public Buildings	19,317	11,981	-	-	19,317	11,981
Police	493,903	460,110	-	-	493,903	460,110
Inspections	6,978	14,043	-	-	6,978	14,043
Fire	20,920	22,956	-	-	20,920	22,956
Street Department	65,431	77,895	-	-	65,431	77,895
Powell Bill	15,497	74,046	-	-	15,497	74,046
Sanitation	152,803	172,809	-	-	152,803	172,809
Recreation	16,988	21,338	-	-	16,988	21,338
Special Appropriations	-	29,802	-	-	-	29,802
Interest on long-term debt	30,517	28,643	-	-	30,517	28,643
Water	-	-	770,246	721,681	770,246	721,681
Sewer	-	-	250,413	370,433	250,413	370,433
Stormwater	-	-	4,064	14,077	4,064	14,077
Total expenses	1,122,597	1,136,654	1,024,723	1,106,191	2,147,320	2,242,845
Increase(Decrease) in net position before transfers	306,332	271,624	148,726	(61,172)	455,058	210,452
Transfers	-	-	-	-	-	-
Change in net position	306,332	271,624	148,726	(61,172)	455,058	210,452
Net position, July 1	2,863,864	2,592,240	7,438,544	7,499,716	10,302,408	10,091,956
Net position, June 30	\$ 3,170,196	\$ 2,863,864	\$ 7,587,270	\$ 7,438,544	\$ 10,757,466	\$ 10,302,408

Governmental activities. Governmental activities increased the Town's net position by \$306,332. Key element of this increase is as follows:

- Revenues increased during the year.

Business-type activities. Business-type activities increased the Town of Chadbourn's net position by \$148,726 primarily due to an increase in revenues and a decrease in expenses in the stormwater 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.

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 \$1,346,512, while total fund balance reached \$1,482,494. The Town currently has an available fund balance of 120.01 percent of total General Fund expenditures, while total fund balance represents 132.12 percent of the same amount.

At June 30, 2016, the governmental funds of Town of Chadbourn reported a combined fund balance of \$1,482,494, with a net increase in fund balance of \$285,564. Included in this change in fund balance are increases in fund balance in the General Fund.

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 exceeded the budgeted amounts primarily because the Town collected more tax revenues than 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 Funds at the end of the fiscal year amounted to \$1,070,120. The total change in net position for the Proprietary Funds was an increase of \$148,726.

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, 2016, totals \$10,699,118 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Vehicles in the Business-type activities

The Town of Chadbourn's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 117,520	\$ 117,520	\$ -	\$ -	\$ 117,520	\$ 117,520
Construction in Progress	-	-	-	-	-	-
Buildings	1,221,639	1,252,071	-	-	1,221,639	1,252,071
Vehicles and Equipment	72,617	92,366	219,923	221,483	292,540	313,849
Infrastructure	855,809	874,413	8,211,610	8,440,300	9,067,419	9,314,713
Total	\$ 2,267,585	\$ 2,336,370	\$ 8,431,533	\$ 8,661,783	\$ 10,699,118	\$ 10,998,153

Additional information on the Town's capital assets can be found on page 44 in the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2016, the Town of Chadbourn had total debt outstanding of \$2,587,978. Of this, \$1,825,500 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	
	2016	2015	2016	2015	2016	2015
Installment Purchases	\$ 673,595	\$ 708,689	\$ 88,883	\$ 109,466	\$ 762,478	\$ 818,155
General Obligation Debt	-	-	1,825,500	1,873,000	1,825,500	1,873,000
Total	\$ 673,595	\$ 708,689	\$ 1,914,383	\$ 1,982,466	\$ 2,587,978	\$ 2,691,155

The Town of Chadbourn's total debt decreased by \$103,177 during the fiscal year.

Management's Discussion and Analysis (Continued)

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 \$6,596,495. The Town of Chadbourn does not have any authorized but un-issued debt at June 30, 2016.

Additional information regarding the Town of Chadbourn's long-term debt can be found beginning on page 58 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, 2017

Governmental Activities. Revenues are expected to decrease due to the decrease in population of the Town.

Business-type Activities. Water and Sewer rates in the Town are not expected to 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**



The **North Carolina
Strawberry Festival**

Chadbourn, North Carolina

Basic Financial Statements

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Net Position

June 30, 2016

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,264,686	\$ 1,087,380	\$ 2,352,066	\$ 195,380
Receivables (net):				
Ad Valorem Taxes	123,022	-	123,022	-
Interest	25,695	-	25,695	-
Accounts	19,866	112,737	132,603	-
Inventories	-	-	-	66,462
Prepaid Expenses	-	-	-	-
Due from Component Unit	3,000	-	3,000	-
Due from Other Governments	113,116	-	113,116	-
Deposits	-	-	-	10,000
Restricted Cash and Cash Equivalents	91,744	-	91,744	-
Total Current Assets	1,641,129	1,200,117	2,841,246	271,842
Noncurrent Assets:				
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	117,520	-	117,520	94,359
Other Capital Assets, Net of Depreciation	2,150,065	8,431,533	10,581,598	10,406
Total Noncurrent Assets	2,267,585	8,431,533	10,699,118	104,765
Total Assets	\$ 3,908,714	\$ 9,631,650	\$ 13,540,364	\$ 376,607
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to Pension Plan in Current Fiscal Year				
	27,878	10,671	38,549	1,969
Pension Deferrals	-	-	-	2,345
Total Deferred Outflows of Resources	\$ 27,878	\$ 10,671	\$ 38,549	\$ 4,314

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Net Position (Continued)
June 30, 2016

	Primary Government			West Columbus ABC Board
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 9,918	\$ 30,747	\$ 40,665	\$ 16,875
Customer Deposits	-	70,084	70,084	-
Prepaid Water Billings	-	533	533	-
Due to Primary Government	-	-	-	3,000
Distributions Payable	-	-	-	-
Current Portion of Long-Term Liabilities	36,089	71,186	107,275	-
Total Current Liabilities	46,007	172,550	218,557	19,875
Long-Term Liabilities:				
Net Pension Liability	33,007	12,635	45,642	808
Due in More Than One year	661,897	1,860,112	2,522,009	14,867
Total Long-Term Liabilities	694,904	1,872,747	2,567,651	15,675
Total Liabilities	740,911	2,045,297	2,786,208	35,550
DEFERRED INFLOWS OF RESOURCES				
Prepaid Taxes	-	-	-	-
Pension Deferrals	25,485	9,754	35,239	420
Total Deferred Inflows of Resources	25,485	9,754	35,239	420
NET POSITION				
Net Investment in Capital Assets	1,593,990	6,517,150	8,111,140	104,765
Restricted for:				
Transportation	91,744	-	91,744	-
Stabilization by State Statute	135,982	-	135,982	-
Capital Improvements	-	-	-	109,753
Working Capital	-	-	-	19,233
Unrestricted	1,348,480	1,070,120	2,418,600	111,200
Total Net Position	\$ 3,170,196	\$ 7,587,270	\$ 10,757,466	\$ 344,951

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 63,861	\$ -	\$ -	\$ -
Administration	232,306	1,116	-	-
Civic Center	4,076	-	-	-
Public Buildings	19,317	-	-	-
Police	493,903	-	31,501	-
Inspections	6,978	11,566	-	-
Fire	20,920	-	-	-
Street Department	65,431	-	-	-
Powell Bill	15,497	-	64,284	-
Sanitation	152,803	268,297	1,161	-
Recreation	16,988	884	-	-
Special Appropriations	-	-	-	-
Interest on long-term debt	30,517	-	-	-
Total Governmental Activities	1,122,597	281,863	96,946	-
Business-Type Activities:				
Water	506,828	561,797	-	-
Sewer	513,831	575,265	-	-
Stormwater	4,064	32,041	-	-
Total Business-Type Activities	1,024,723	1,169,103	-	-
Total Primary Government	2,147,320	1,450,966	96,946	-
Component Units:				
West Columbus ABC Board	675,316	644,426	-	-
Total Component Units	\$ 675,316	\$ 644,426	\$ -	\$ -

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	West Columbus ABC Board
Primary Government:				
Governmental Activities:				
Governing Body	\$ (63,861)	\$ -	\$ (63,861)	\$ -
Administration	(231,190)	-	(231,190)	-
Civic Center	(4,076)	-	(4,076)	-
Public Buildings	(19,317)	-	(19,317)	-
Police	(462,402)	-	(462,402)	-
Inspections	4,588	-	4,588	-
Fire	(20,920)	-	(20,920)	-
Street Department	(65,431)	-	(65,431)	-
Powell Bill	48,787	-	48,787	-
Sanitation	116,655	-	116,655	-
Recreation	(16,104)	-	(16,104)	-
Special Appropriations	-	-	-	-
Interest on long-term debt	(30,517)	-	(30,517)	-
Total Governmental Activities	(743,788)	-	(743,788)	-
Business-Type Activities:				
Water	-	54,969	54,969	-
Sewer	-	61,434	61,434	-
Stormwater	-	27,977	27,977	-
Total Business-Type Activities	-	144,380	144,380	-
Total Primary Government	(743,788)	144,380	(599,408)	-
Component Units:				
West Columbus ABC Board	-	-	-	(30,890)
Total Component Units	-	-	-	(30,890)
General Revenues:				
Property Taxes, Levied for General Purpose	541,986	-	541,986	-
Other Taxes and Licenses	486,403	-	486,403	-
Investment Earnings	3,107	738	3,845	138
Miscellaneous	18,624	3,608	22,232	3,893
Transfers	-	-	-	-
Total General Revenues and Transfers	1,050,120	4,346	1,054,466	4,031
Change in Net Position	306,332	148,726	455,058	(26,859)
Net Position - Beginning of Year	2,863,864	7,438,544	10,302,408	371,810
Net Position - End of Year	\$ 3,170,196	\$ 7,587,270	\$ 10,757,466	\$ 344,951

TOWN OF CHADBOURN, NORTH CAROLINA
 Balance Sheet
 Governmental Funds
 June 30, 2016

	<u>Major Funds</u>		
	<u>General</u>	<u>CDBG Capital Project Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,264,686	\$ -	\$ 1,264,686
Restricted Cash	91,744	-	91,744
Receivables (net):			
Ad Valorem Taxes	123,022	-	123,022
Sanitation	19,866	-	19,866
Due from Component Unit	3,000	-	3,000
Due from Other Governments	113,116	-	113,116
Total Assets	<u>1,615,434</u>	<u>-</u>	<u>1,615,434</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	9,918	-	9,918
Total Liabilities	<u>9,918</u>	<u>-</u>	<u>9,918</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivable	123,022	-	123,022
Prepaid Taxes	-	-	-
Total Deferred Inflows of Resources	<u>123,022</u>	<u>-</u>	<u>123,022</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	135,982	-	135,982
Streets	91,744	-	91,744
Assigned			
Subsequent Year's Expenditures:	-	-	-
Unassigned	1,254,768	-	1,254,768
Total Fund Balances	<u>1,482,494</u>	<u>-</u>	<u>1,482,494</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,615,434</u>	<u>\$ -</u>	

TOWN OF CHADBOURN, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2016

	Total Governmental Funds
	<u> </u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 1,482,494
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	2,969,645
Accumulated depreciation	<u>(702,060)</u>
	2,267,585
Net pension asset	-
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	27,878
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	
Accrued interest - taxes	<u>25,695</u>
	25,695
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Ad valorem taxes	<u>123,022</u>
	123,022
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases	(673,596)
Capital lease purchases	-
Other postemployment benefits	(9,754)
Compensated absences	(14,636)
Net Pension Liability	<u>(33,007)</u>
	(730,993)
Pension related deferrals	<u>(25,485)</u>
	(25,485)
Net position of governmental activities	<u><u>\$ 3,170,196</u></u>

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>Major Funds</u>		Total Governmental Funds
	General Fund	CDBG Capital Project Fund	
Revenues			
Ad Valorem Taxes	\$ 520,667	\$ -	\$ 520,667
Other Taxes and Licenses	1,116	-	1,116
Unrestricted Intergovernmental	486,403	-	486,403
Restricted Intergovernmental	96,946	-	96,946
Permits and Fees	11,566	-	11,566
Sales and Services	269,181	-	269,181
Investment Earnings	3,107	-	3,107
Miscellaneous	18,624	-	18,624
Total Revenues	1,407,610	-	1,407,610
Expenditures			
Current			
Governing Body	63,861	-	63,861
Administration	206,380	-	206,380
Civic Center	4,076	-	4,076
Public Buildings	19,317	-	19,317
Police	490,631	-	490,631
Inspections	7,098	-	7,098
Fire	20,920	-	20,920
Street Department	43,192	-	43,192
Powell Bill	15,210	-	15,210
Sanitation	152,803	-	152,803
Recreation	14,788	-	14,788
Special Appropriations	-	-	-
Debt Service			
Principal	53,253	-	53,253
Interest and Other charges	30,517	-	30,517
Capital Outlay			
Police	-	-	-
Street Department	-	-	-
Powell Bill	-	-	-
Total Expenditures	1,122,046	-	1,122,046
Excess (Deficiency) of Revenues Over Expenditures	285,564	-	285,564
Other Financing Sources (Uses)			
Capital Leases Issued	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	285,564	-	285,564
Fund Balance - Beginning of Year	1,196,930	-	1,196,930
Fund Balance - End of Year	\$ 1,482,494	\$ -	\$ 1,482,494

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$	285,564
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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>(68,785)</u>	(68,785)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	<u>27,878</u>	27,878
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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	18,170	
Interest earned on ad valorem taxes	<u>3,149</u>	21,319

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>53,253</u>	53,253

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	(897)	
Compensated absences	3,841	
Pension expense	<u>(15,841)</u>	(12,897)

Total changes in net position of governmental activities	<u>\$</u>	<u>306,332</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, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 494,702	\$ 494,702	\$ 520,667	\$ 25,965
Other Taxes and Licenses	-	-	1,116	1,116
Unrestricted Intergovernmental	434,500	434,500	486,403	51,903
Restricted Intergovernmental	73,495	98,942	96,946	(1,996)
Permits and Fees	1,500	1,500	11,566	10,066
Sales and Services	256,500	256,500	269,181	12,681
Investment Earnings	60	60	3,107	3,047
Miscellaneous	27,400	36,085	18,624	(17,461)
Total Revenues	1,288,157	1,322,289	1,407,610	85,321
Expenditures				
Governing Body	38,432	64,150	63,861	289
Administration	272,260	272,260	247,104	25,156
Civic Center	9,600	9,600	4,076	5,524
Public Buildings	20,100	30,300	19,317	10,983
Police	536,440	571,183	514,469	56,714
Inspections	9,955	9,955	7,098	2,857
Fire	39,500	39,500	20,920	18,580
Street Department	75,280	76,480	52,796	23,684
Powell Bill	64,695	64,695	24,814	39,881
Sanitation	182,000	182,000	152,803	29,197
Recreation	39,895	39,895	14,788	25,107
Special Appropriations	64,695	-	-	-
Contingency	-	-	-	-
Total Expenditures	1,352,852	1,360,018	1,122,046	237,972
Revenues Over (Under) Expenditures	(64,695)	(37,729)	285,564	323,293
Other Financing Sources (Uses)				
Installment Notes	-	-	-	-
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(64,695)	(37,729)	285,564	323,293
Appropriated Fund Balance	64,695	37,729	-	(37,729)
Net Change in Fund Balance	\$ -	\$ -	285,564	\$ 285,564
Fund Balance - Beginning of Year			1,196,930	
Fund Balance - End of Year			\$ 1,482,494	

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Fund

June 30, 2016

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
ASSETS				
Current Assets				
Cash and Investments	\$ 672,188	\$ 370,059	\$ 45,133	\$ 1,087,380
Accounts Receivable (net)	64,451	46,804	1,482	112,737
Total Current Assets	736,639	416,863	46,615	1,200,117
Noncurrent Assets				
Capital Assets				
Other Capital Assets, Net of				
Depreciation	5,777,359	2,632,257	21,917	8,431,533
Total Capital Assets	5,777,359	2,632,257	21,917	8,431,533
Total Noncurrent Assets	5,777,359	2,632,257	21,917	8,431,533
Total Assets	6,513,998	3,049,120	68,532	9,631,650
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to Pension Plan	5,911	4,760	-	10,671
Total Deferred Outflows of Resources	\$ 5,911	\$ 4,760	\$ -	\$ 10,671

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Fund Net Position (Continued)
Proprietary Fund
June 30, 2016

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	\$ 8,109	\$ 22,638	\$ -	\$ 30,747
Customer Deposits	61,726	8,358	-	70,084
Prepaid Utilities	533	-	-	533
Installment Purchase Obligations Payable	21,186	-	-	21,186
Capital Lease Obligations Payable	-	-	-	-
General Obligations Bonds Payable	-	50,000	-	50,000
Total Current Liabilities	91,554	80,996	-	172,550
Noncurrent Liabilities				
Installment Purchase Obligation Payable	67,697	-	-	67,697
Capital Lease Obligations Payable	-	-	-	-
General Obligations Bonds Payable	-	1,775,500	-	1,775,500
Other Postemployment Benefits	2,810	4,233	-	7,043
Compensated Absences Payable	3,281	6,591	-	9,872
Net Pension Liability	6,999	5,636	-	12,635
Total Noncurrent Liabilities	80,787	1,791,960	-	1,872,747
Total Liabilities	172,341	1,872,956	-	2,045,297
DEFERRED INFLOWS OF RESOURCES				
Pension Deferrals	5,403	4,351	-	9,754
Total Deferred Inflows of Resources	5,403	4,351	-	9,754
NET POSITION				
Net Investment in Capital Assets	5,688,476	806,757	21,917	6,517,150
Unrestricted	653,689	369,816	46,615	1,070,120
Total Net Position	\$ 6,342,165	\$ 1,176,573	\$ 68,532	\$ 7,587,270



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, 2016

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Total
Operating Revenues				
Water Charges	\$ 525,857	\$ -	\$ -	\$ 525,857
Sewer Charges	35	575,265	-	575,300
Taps and Reconnect Fees	7,659	-	-	7,659
Reserve Assessments	28,246	-	-	28,246
Stormwater Fees	-	-	32,041	32,041
Total Operating Revenues	561,797	575,265	32,041	1,169,103
Operating Expenses				
Water Operations	325,344	-	-	325,344
Wastewater Treatment	-	181,891	-	181,891
Sewer Operations	-	165,604	-	165,604
Stormwater	-	-	1,538	1,538
Depreciation	177,444	81,527	2,526	261,497
Total Operating Expenses	502,788	429,022	4,064	935,874
Operating Income (Loss)	59,009	146,243	27,977	233,229
Nonoperating Revenues (Expenses)				
Investment Earnings	509	229	-	738
Miscellaneous	1,437	2,171	-	3,608
Interest Expense	(4,040)	(84,809)	-	(88,849)
Total Nonoperating Revenues (Expenses)	(2,094)	(82,409)	-	(84,503)
Total Income (Loss) Before Contributions and Transfers	56,915	63,834	27,977	148,726
Capital Contributions	-	-	-	-
Transfers from Other Funds	49,721	-	-	49,721
Transfers to Other Funds	(26,139)	(23,582)	-	(49,721)
Change in Net Position	80,497	40,252	27,977	148,726
Net Position - Beginning of Year	6,261,668	1,136,321	40,555	7,438,544
Net Position - End of Year	\$ 6,342,165	\$ 1,176,573	\$ 68,532	\$ 7,587,270

TOWN OF CHADBOURN, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2016

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 562,993	\$ 573,903	\$ 31,882	\$ 1,168,778
Cash Paid for Goods and Services	(255,748)	(217,561)	(1,538)	(474,847)
Cash Paid to Employees for Services	(124,058)	(110,900)	-	(234,958)
Customer Deposits Received	670	8,450	-	9,120
Customer Deposits Returned	(6,914)	(92)	-	(7,006)
Miscellaneous Income	1,437	2,171	-	3,608
Net Cash Provided (Used) by Operating Activities	178,380	255,971	30,344	464,695
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	49,721	-	-	49,721
Transfers to Other Funds	(26,139)	(23,582)	-	(49,721)
Net Cash Provided (Used) by Noncapital Financing Activities	23,582	(23,582)	-	-
Cash Flows from Capital Financing Activities				
Acquisition of Capital Assets	(31,247)	-	-	(31,247)
Interest Paid on Debt Obligations	(4,040)	(84,809)	-	(88,849)
Principal Paid on Debt Obligations	(38,743)	(47,500)	-	(86,243)
Installment Purchase Obligations Issued	-	-	-	-
Capital Lease Obligations Issued	-	-	-	-
Capital Contributions - Grants	-	-	-	-
Capital Contributions - Federal Grants	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	(74,030)	(132,309)	-	(206,339)
Cash Flows from Investing Activities				
Interest on Investments	509	229	-	738
Net Increase(Decrease) in Cash and Cash Equivalents	128,441	100,309	30,344	259,094
Cash and Cash Equivalents				
Beginning of Year	543,747	269,750	14,789	828,286
End of Year	\$ 672,188	\$ 370,059	\$ 45,133	\$ 1,087,380

TOWN OF CHADBOURN, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2016

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Stormwater Fund	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 59,009	\$ 146,243	\$ 27,977	\$ 233,229
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation	177,444	81,527	2,526	261,497
Miscellaneous Income	1,437	2,171	-	3,608
Changes in Assets and Liabilities				
(Increase)Decrease in -				
Accounts Receivable	1,196	(1,362)	(159)	(325)
Net Pension Asset	7,247	10,429	-	17,676
Deferred Outflows of Resources	(859)	2,477	-	1,618
Increase (Decrease) in -				
Accounts Payable	(52,972)	22,638	-	(30,334)
Prepaid Items	(437)	-	-	(437)
Customer Deposits	(6,244)	8,358	-	2,114
Compensated Absences Payable	(1,066)	335	-	(731)
Other Postemployment Benefits	551	982	-	1,533
Net Pension Liability	6,999	5,636	-	12,635
Deferred Inflows of Resources	(13,925)	(23,463)	-	(37,388)
Total Adjustments	119,371	109,728	2,367	231,466
Net Cash Provided (Used) by Operating Activities	\$ 178,380	\$ 255,971	\$ 30,344	\$ 464,695

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, operates 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 Fund – This fund is used to account for the operations of the Town-wide water system.

Sewer Fund – This fund is used to account for the operations of the Town's sewer operations.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Chadbourn because the tax is levied by Columbus County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues. 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 State Law [G.S.159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are values 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.

Town of Chadbourn Restricted Cash

Governmental Activities	
General Fund	
Transportation	\$ 91,744
Total governmental activities	<u>91,744</u>
Total Restricted Cash	<u>\$ 91,744</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. 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 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.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Inventories and Prepaid Items (Continued)

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

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
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:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund 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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that 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.

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)

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.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Chadbourn and West Columbus ABC Board's employer contributions are recognized when due and the Town of Chadbourn and West Columbus ABC Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. 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 and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. 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 and 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.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Deposits (Continued)

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, 2016, the Town's deposits had a carrying amount of \$879,410 and a bank balance of \$993,357. 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 \$195,380 and the bank balance was \$210,390. All of the bank balance was covered by federal depository insurance. At June 30, 2016, the Town's petty cash fund totaled \$120.

3. Investments

At June 30, 2016, the Town of Chadbourn had \$1,564,280 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.

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, 2016 are net of the following allowances for doubtful accounts:

Fund	06/30/2016
General Fund	
Taxes Receivable	\$ 14,000
Sanitation	41,000
Total	<u>55,000</u>
Enterprise Funds	
Water	132,000
Sewer	95,000
Storm Water	4,000
Total	<u>\$ 231,000</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,520	\$ -	-	\$ 117,520
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>117,520</u>	-	-	<u>117,520</u>
Capital assets being depreciated:				
Buildings and Improvements	1,521,549	-	-	1,521,549
Equipment and Vehicles	400,349	-	-	400,349
Infrastructure	930,227	-	-	930,227
Total capital assets being depreciated	<u>2,852,125</u>	-	-	<u>2,852,125</u>
Less accumulated depreciation for:				
Buildings and Improvements	269,478	30,431	-	299,909
Equipment and Vehicles	307,983	19,749	-	327,732
Infrastructure	55,814	18,605	-	74,419
Total accumulated depreciation	<u>633,275</u>	<u>68,785</u>	-	<u>702,060</u>
Total capital assets being depreciated, net	<u>2,218,850</u>			<u>2,150,065</u>
Governmental activity capital assets, net	<u>\$ 2,336,370</u>			<u>\$ 2,267,585</u>

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

	<u>Depreciation</u>
Administration	\$ 30,272
Police	14,074
Street Department	22,239
Recreation	<u>2,200</u>
Total	<u>\$ 68,785</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Business-Type Activities:
Water Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	-	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being Depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and Improvements	-	-	-	-
Infrastructure	7,358,139	-	-	7,358,139
Other Equipment	298,161	31,247	-	329,408
Total capital assets being Depreciated	7,656,300	31,247	-	7,687,547
Less accumulated depreciation for:				
Buildings and Improvements	-	-	-	-
Infrastructure	1,631,623	147,163	-	1,778,786
Other Equipment	101,121	30,281	-	131,402
Total accumulated depreciation	1,732,744	177,444	-	1,910,188
Total capital assets being depreciated, net	5,923,556			5,777,359
Water Fund capital assets, net	\$ 5,923,556			\$ 5,777,359

Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	-	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being Depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and Improvements	-	-	-	-
Infrastructure	4,076,333	-	-	4,076,333
Other Equipment	-	-	-	-
Total capital assets being Depreciated	4,076,333	-	-	4,076,333
Less accumulated depreciation for:				
Buildings and Improvements	-	-	-	-
Infrastructure	1,362,549	81,527	-	1,444,076
Other Equipment	-	-	-	-
Total accumulated depreciation	1,362,549	81,527	-	1,444,076
Total capital assets being depreciated, net	2,713,784			2,632,257
Sewer Fund capital assets, net	\$ 2,713,784			\$ 2,632,257

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Stormwater Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	-	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being Depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and Improvements	-	-	-	-
Infrastructure	-	-	-	-
Other Equipment	25,263	-	-	25,263
Total capital assets being Depreciated	25,263	-	-	25,263
Less accumulated depreciation for:				
Buildings and Improvements	-	-	-	-
Infrastructure	-	-	-	-
Other Equipment	820	2,526	-	3,346
Total accumulated depreciation	820	2,526	-	3,346
Total capital assets being depreciated, net	24,443			21,917
Stormwater Fund capital assets, net	\$ 24,443			\$ 21,917

Discretely presented component unit

Activity for the West Columbus ABC Board for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 67,702	\$ -	-	\$ 67,702
Construction in Progress	26,657	-	-	26,657
Total capital assets not being depreciated	94,359	-	-	94,359
Capital assets being depreciated:				
Store fixtures and equipment	51,345	-	-	51,345
Office furniture	14,440	-	-	14,440
Total capital assets being depreciated	65,785	-	-	65,785
Less accumulated depreciation for:				
Store fixtures and equipment	38,380	2,559	-	40,939
Office furniture	14,440	-	-	14,440
Total accumulated depreciation	52,820	2,559	-	55,379
Total capital assets being depreciated, net	12,965			10,406
West Columbus ABC Board capital assets, net	\$ 107,324			\$ 104,765

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Chadbourn is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Chadbourn employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Chadbourn's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Chadbourn were \$38,549 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$45,642 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.01017% which was a decrease of 0.00027% from its proportion measured as of June 30, 2014.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2016, the Town recognized pension expense of \$13,011. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,728
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,994
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	11,517
Town contributions subsequent to the measurement date	38,549	-
Total	<u>\$ 38,549</u>	<u>\$ 35,239</u>

\$38,549 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (18,925)
2018	(18,925)
2019	(18,873)
2020	21,484
2021	-
Thereafter	-
	<u>\$ (35,239)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 318,268	\$ 45,642	\$ (184,039)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Chadbourm 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

1. Plan Description (Continued)

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
Total	<u>13</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions

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

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires that the Town contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$15,292, which consisted of \$12,961 from the Town and \$2,331 from the law enforcement officers.

All Other Employees

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

Funding Policy. For the year ended June 30, 2016, total contributions to the plan equaled \$8,914, all from the participating employees.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit

Healthcare Benefits

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

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

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

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

Annual required contribution	\$	2,546
Interest on net OPEB obligation		97
Adjustment to annual required contribution		(213)
Annual OPEB cost (expense)		<u>2,430</u>
Contributions made		-
Increase (decrease) in net OPEB obligation		2,430
Net OPEB obligation, beginning of year		14,367
Net OPEB obligation, end of year	\$	<u>16,797</u>

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, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	2,430	0.00%	16,797
2015	2,198	0.00%	14,367
2014	2,702	0.00%	12,080

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit (Continued)

Funded Status and Funding Progress. As of December 31, 2015, the actuarial accrued liability for benefits was \$16,797, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$606,122, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.77%.

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.

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 2003 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.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Postemployment Benefit (Continued)

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 – 2015 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 2013 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, 2016, was thirty years.

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Contributions to pension plan in current fiscal year	\$ 38,549	\$ -
Total	<u>\$ 38,549</u>	<u>\$ -</u>

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	123,022	-
Pension deferrals	35,239	-
Total	<u>\$ 158,261</u>	<u>\$ -</u>

4. Risk Management

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

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, 2016, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

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%.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

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%.

In July 2014 the Town entered into an installment loan in the amount of \$68,785 for new Police vehicles. The financing contract requires principal payment beginning July 2015. Principal installments of \$23,838 are due annually on July 8 at an annual interest rate of 1.97%.

For Town of Chadbourm, the future minimum payments as of June 30, 2016, including \$454,589 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 36,089	\$ 28,472
2018	37,118	27,443
2019	14,344	26,380
2020	14,973	25,751
2021	15,630	25,094
2022-2026	89,061	114,559
2027-2031	110,395	93,225
2032-2036	136,844	66,775
2037-2041	169,637	33,983
2042-2046	49,504	2,954
Total	\$ 673,595	\$ 444,636

Year Ending June 30	Water and Sewer Activities	
	Principal	Interest
2017	\$ 21,185	\$ 2,915
2018	12,652	2,295
2019	13,081	1,866
2020	13,524	1,423
2021	13,983	964
2022	14,458	490
Total	\$ 88,883	\$ 9,953

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. 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, 2016 are comprised of the following individual issues:

Serviced by the Town's Water and Sewer Fund:

\$2,044,000 Series 1999 Water and Sewer Bonds

Principal and interest due on June 1, in annual installments through June 1, 2039

Total

\$	1,825,500
\$	<u>1,825,500</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
2017	\$ 50,000	\$ 82,148
2018	52,000	79,897
2019	54,000	77,557
2020	56,500	75,128
2021	59,000	72,585
2022-2026	335,000	320,940
2027-2031	403,000	238,995
2032-2036	504,000	139,500
2037-2040	312,000	28,080
Total	<u>\$ 1,825,500</u>	<u>\$ 1,114,830</u>

At June 30, 2016, the Town of Chadbourn had a legal debt margin of \$6,596,495.

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

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
Governmental activities:					
Installment purchase	\$ 708,689	\$ -	\$ 35,094	\$ 673,595	\$ 36,089
Capital Lease	18,160	-	18,160	-	-
Compensated absences	18,477	-	3,840	14,637	-
Net Pension Liability (LRS)	-	33,007	-	33,007	-
Other post-employment benefits	8,857	897	-	9,754	-
Total governmental activities	\$ 754,183	\$ 33,904	\$ 57,094	\$ 730,993	\$ 36,089
Business-type activities:					
General obligation debt	\$ 1,873,000	\$ -	\$ 47,500	\$ 1,825,500	\$ 50,000
Capital Lease	18,160	-	18,160	-	-
Installment purchase	109,466	-	20,583	88,883	21,186
Compensated absences	10,603	-	731	9,872	-
Net Pension Liability (LRS)	-	12,635	-	12,635	-
Other post-employment benefits	5,510	1,533	-	7,043	-
Total business-type activities	\$ 2,016,739	\$ 14,168	\$ 86,974	\$ 1,943,933	\$ 71,186

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, 2016, consists of the following:

From the Water Fund to the Water and Sewer Capital Reserve Fund	\$ 26,139
From the Sewer Fund to the Water and Sewer Capital Reserve Fund	23,582
Total	\$ 49,721

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.

D. Net Investments in Capital Assets

	Governmental	Business Type
Capital Assets	\$ 2,267,585	\$ 8,431,533
Less: Long-term Debt	673,595	1,914,383
Add: Unexpected debt proceeds	-	-
Net Investment in Capital Assets	\$ 1,593,990	\$ 6,517,150

TOWN OF CHADBOURN, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2016

II. DETAIL NOTES ON ALL FUNDS (Continued)

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$	1,482,494
Less:		
Stabilization by State Statute		135,982
Streets – Powell Bill		91,744
Appropriated Fund Balance in 2017 budget		-
Remaining Fund Balance		1,254,768

The Town of Chadbourn has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

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. 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 refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2016, which is the date the financial statements were available to be issued.

*Required Supplementary
Financial Data*

TOWN OF CHADBOURN, NORTH CAROLINA

Other Postemployment Benefits

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 279,999	\$ 279,999	0.00%	\$ 790,275	35.43%
12/31/2010	-	8,960	8,960	0.00%	791,450	1.13%
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%
12/31/2013	-	14,625	14,625	0.00%	660,314	2.21%
12/31/2014	-	14,367	14,367	0.00%	620,474	2.32%
12/31/2015	-	16,797	16,797	0.00%	606,122	2.77%

TOWN OF CHADBOURN, NORTH CAROLINA

Other Postemployment Benefits

Required Supplementary Information

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 50,746	0.00%
2011	2,280	0.00%
2012	2,327	0.00%
2013	2,580	0.00%
2014	2,702	0.00%
2015	1,817	0.00%
2016	2,546	0.00%

TOWN OF CHADBOURN

Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Three Fiscal Years*

	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01017%	0.01044%	0.01230%
Town's proportion of the net pension liability (asset) (\$)	\$ 45,642	\$ (61,569)	\$ 148,262
Town's covered-employee payroll	\$ 592,943	\$ 640,362	\$ 659,947
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.70%	(9.61%)	22.47%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

TOWN OF CHADBOURN
Town's Contributions
Required Supplementary Information
Last Three Fiscal Years

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 38,549	\$ 42,805	\$ 45,946
Contributions in relation to the contractually required contribution	38,549	42,805	45,946
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 559,587	\$ 592,943	\$ 640,362
Contributions as a percentage of covered-employee payroll	6.89%	7.22%	7.18%



The **North Carolina
Strawberry Festival**

Chadbourn, North Carolina

Major Governmental Funds

General Fund

TOWN OF CHADBOURN, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 477,209	
Penalties and Interest		43,458	
Total Ad Valorem Taxes	\$ 494,702	520,667	\$ 25,965
Other Taxes and Licenses			
Privilege Licenses		1,116	
Total Other Taxes and Licenses	-	1,116	1,116
Unrestricted Intergovernmental			
Local Option Sales Tax		329,915	
Utility Sales Tax		122,360	
Beer and Wine Tax		8,037	
ABC Profit Distributions		26,091	
Total Unrestricted Intergovernmental	434,500	486,403	51,903
Restricted Intergovernmental			
Powell Bill Allocation		64,284	
Police Grants		28,501	
ABC Revenue for Law Enforcement		3,000	
Solid Waste Disposal Tax		1,161	
Total Restricted Intergovernmental	98,942	96,946	(1,996)
Permits and Fees			
Inspection Fees		4,416	
Zoning Permits		7,150	
Total Permits and Fees	1,500	11,566	10,066
Sales and Services			
Recreation Fees		884	
Solid Waste		268,297	
Total Sales and Services	256,500	269,181	12,681
Investment Earnings			
General		2,953	
Powell Bill		154	
Total Investment Earnings	60	3,107	3,047
Miscellaneous			
Sale of Assets		5,251	
Other		13,373	
Total Miscellaneous	36,085	18,624	(17,461)
Total Revenues	1,322,289	1,407,610	85,321

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Employee Benefits		\$ 30,780	
Other Expenditures		33,081	
Total Governing Body	\$ 64,150	63,861	\$ 289
Administration			
Salaries and Employee Benefits		167,070	
Other Expenditures		39,310	
Debt Service			
Principal		12,610	
Interest		28,114	
Total Administration	272,260	247,104	25,156
Civic Center			
Other Expenditures		4,076	
Total Civic Center	9,600	4,076	5,524
Public Buildings			
Other Expenditures		19,317	
Total Public Buildings	30,300	19,317	10,983
Police			
Salaries and Employee Benefits		393,442	
Other Expenditures		97,189	
Debt Service			
Principal		22,483	
Interest		1,355	
Total Police	571,183	514,469	56,714
Inspections			
Salaries and Employee Benefits		2,940	
Other Expenditures		4,158	
Total Inspections	9,955	7,098	2,857
Fire			
Salaries and Employee Benefits		6,755	
Other Expenditures		14,165	
Total Fire	39,500	20,920	18,580
Street Department			
Salaries and Employee Benefits		3,930	
Other Expenditures		39,262	
Debt Service			
Principal		9,080	
Interest		524	
Total Street Department	76,480	52,796	23,684

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Powell Bill			
Salaries and Employee Benefits		\$ 4,071	
Other Expenditures		11,139	
Debt Service			
Principal		9,080	
Interest		524	
Total Powell Bill	\$ 64,695	24,814	\$ 39,881
Sanitation			
Other Expenditures		152,803	
Total Sanitation	182,000	152,803	29,197
Recreation			
Salaries and Employee Benefits		4,501	
Other Expenditures		10,287	
Total Recreation	39,895	14,788	25,107
Special Appropriations			
Other Expenditures		-	
Debt Service			
Principal		-	
Interest		-	
Total Special Appropriations	-	-	-
Contingency			
	-	-	-
Total Expenditures	1,360,018	1,122,046	237,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,729)	285,564	323,293
Other Financing Sources (Uses)			
Installment Notes	-	-	-
Transfers from other funds:			
CDBG Capital Project Fund	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Fund Balance Appropriated	37,729	-	(37,729)
Net Change in Fund Balance	\$ -	\$ 285,564	\$ 285,564
Fund Balance - Beginning of Year		1,196,930	
Fund Balance - End of Year		\$ 1,482,494	

Enterprise Funds

TOWN OF CHADBOURN, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Water Charges		\$ 525,857	
Sewer Charges		35	
Taps and Reconnect Fees		7,659	
Reserve Assessments		28,246	
Total Operating Revenues	\$ 488,814	561,797	\$ 72,983
Nonoperating Revenues			
Investment Earnings		509	
Miscellaneous		1,437	
Grants		-	
Total Nonoperating Revenues	1,252	1,946	694
Total Revenues	490,066	563,743	73,677
Expenditures			
Water Operations			
Salaries and Employee Benefits		123,005	
Other Expenditures		203,392	
Capital Outlay		31,247	
Debt Service			
Principal		38,743	
Interest		4,040	
Total Water Operations	467,566	400,427	67,139
Total Expenditures	467,566	400,427	67,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,500	163,316	140,816

TOWN OF CHADBOURN, NORTH CAROLINA
 Water Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Appropriated Fund Balance	\$ -	\$ -	\$ -
Capital Lease Obligations Issued	-	-	-
Transfers In:			
Water Fund	-	-	-
Sewer Fund	-	-	-
Transfers Out:			
Sewer Fund	-	-	-
Water and Sewer Capital Reserve Fund	(22,500)	(26,139)	(3,639)
Total Other Financing Sources (Uses)	(22,500)	(26,139)	(3,639)
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ 137,177	\$ 137,177

TOWN OF CHADBOURN, NORTH CAROLINA
 Water Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		<u>\$ 137,177</u>	
Reconciling Items:			
Depreciation Expense		(177,444)	
Capital Outlay		31,247	
Principal Retirement		38,743	
Increase(Decrease) in Net Pension Asset		(7,247)	
Increase(Decrease) in Deferred Outflows of Resources - Pensions		859	
(Increase)Decrease in Net Pension Liability		(6,999)	
(Increase)Decrease in Deferred Inflows of Resources - Pensions		13,925	
Decrease in Compensated Absences Payable		1,066	
Increase in Other Postemployment Benefits		(551)	
Transfer in from Water and Sewer Capital Reserve Fund		<u>49,721</u>	
Total Reconciling Items		<u>(56,680)</u>	
Change in Net Position		<u><u>\$ 80,497</u></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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Other Financing Sources (Uses)			
Transfers in:			
Water Fund	-	49,721	49,721
Transfers out:			
Water Fund	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>49,721</u>	<u>49,721</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 49,721</u>	<u>\$ 49,721</u>

TOWN OF CHADBOURN, NORTH CAROLINA
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Sewer Charges		\$ 575,265	
Total Operating Revenues	\$ 518,315	575,265	\$ 56,950
Nonoperating Revenues			
Investment Earnings		229	
Miscellaneous Income		2,171	
Total Nonoperating Revenues	1,252	2,400	1,148
Total Revenues	519,567	577,665	58,098
Expenditures			
Sewer Operations			
Salaries and Employee Benefits		96,867	
Other Expenditures		72,341	
Capital Outlay		-	
Debt Service			
Principal		47,500	
Interest		84,809	
Total Sewer Operations	296,205	301,517	(5,312)
Wastewater Treatment			
Salaries and Employee Benefits		-	
Other Expenditures		181,891	
Total Wastewater Treatment	191,250	181,891	9,359
Total Expenditures	487,455	483,408	4,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,112	94,257	62,145
Other Financing Sources (Uses)			
Appropriated Fund Balance	-	-	-
Transfers In:			
Water Fund	-	-	-
Transfers Out:			
Water and Sewer Capital Reserve Fund	(22,500)	(14,502)	7,998
Water Fund	(9,612)	(9,080)	532
Total Other Financing Sources (Uses)	(32,112)	(23,582)	8,530
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ 70,675	\$ 70,675

TOWN OF CHADBOURN, NORTH CAROLINA
 Sewer Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		\$ 70,675	
Reconciling Items:			
Depreciation Expense		(81,527)	
Capital Outlay		-	
Principal Retirement		47,500	
Increase in Compensated Absences Payable		(335)	
Increase in Other Postemployment Benefits		(982)	
Decrease in Net Pension Asset		(10,429)	
Decrease in Deferred Outflows of Resources - Pensions		(2,477)	
Increase in Net Pension Liability		(5,636)	
Decrease in Deferred Inflows of Resources - Pensions		23,463	
Capital Contributions		-	
Total Reconciling Items		<u>(30,423)</u>	
Change in Net Position		<u>\$ 40,252</u>	

TOWN OF CHADBOURN, NORTH CAROLINA
 Stormwater Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Stormwater Fees		\$ 32,041	
Total Operating Revenues	30,000	32,041	\$ 2,041
Nonoperating Revenues			
Investment Earnings		-	
Miscellaneous		-	
Total Nonoperating Revenues	-	-	-
Total Revenues	30,000	32,041	2,041
Expenditures			
Stormwater			
Other Expenditures		1,538	
Capital Outlay		-	
Total Water Operations	30,000	1,538	28,462
Total Expenditures	30,000	1,538	28,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 30,503	\$ 30,503

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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		<u>\$ 30,503</u>	
Reconciling Items:			
Depreciation Expense		(2,526)	
Pension Expense		-	
Capital Outlay		-	
Total Reconciling Items		<u>(2,526)</u>	
Change in Net Position		<u><u>\$ 27,977</u></u>	



The **North Carolina
Strawberry Festival**

Chadbourn, North Carolina

Other Schedules

TOWN OF CHADBOURN, NORTH CAROLINA
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2016

Fiscal Year	Uncollected Balance 7-1-15	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-16
2015-16	\$ -	\$ 512,709	\$ 444,145	\$ 68,564
2014-15	41,756	-	24,432	17,324
2013-14	19,985	-	7,892	12,093
2012-13	14,720	-	4,860	9,860
2011-12	15,218	-	5,008	10,210
2010-11	10,166	-	1,629	8,537
2009-10	4,218	-	1,304	2,914
2008-09	4,022	-	993	3,029
2007-08	3,040	-	640	2,400
2006-07	2,461	-	370	2,091
2005-06	1,269	-	1,269	-
	<u>\$ 116,855</u>	<u>\$ 512,709</u>	<u>\$ 492,542</u>	137,022

Less: Allowance for Uncollectible Accounts:
 General Fund

14,000

Ad Valorem Taxes Receivable - Net

\$ 123,022

Reconciliation with Revenues

Ad Valorem Taxes - General Fund

\$ 520,667

Reconciling Items:

Interest and Penalties Collected

(43,458)

Taxes Released

1,164

Taxes Written Off

14,169

Total Collections and Credits

\$ 492,542

TOWN OF CHADBOURN, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2016

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 82,456,189	0.620	\$ 511,229	\$ 452,778	\$ 58,451
Penalties	-		1,480	917	563
	<u>82,456,189</u>		<u>512,709</u>	<u>453,695</u>	<u>59,014</u>
Discoveries:					
Current Year Taxes	-	0.620	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	-	0.620	\$ -	-	-
	<u>-</u>		<u>\$ -</u>	<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 82,456,189</u>				
Net Levy			512,709	453,695	59,014
Uncollected Taxes at June 30, 2016			68,564	68,564	-
Current Year's Taxes Collected			<u>\$ 444,145</u>	<u>\$ 385,131</u>	<u>\$ 59,014</u>
Current Levy Collection Percentage			<u>86.63%</u>	<u>84.89%</u>	<u>100.00%</u>



The **North Carolina
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Chadbourn, North Carolina