

**TOWN OF BENSON  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**MARTIN ♦ STARNES  
& ASSOCIATES, CPAs, P.A.**

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*"A Professional Association of Certified Public Accountants and Management Consultants"*



# TOWN OF BENSON, NORTH CAROLINA

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Benson's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the Town of Benson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Benson's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 26, 2015

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## Management's Discussion and Analysis

As management of the Town of Benson, we offer readers of the Town of Benson's financial statements this narrative overview and analysis of the financial activities of the Town of Benson for the fiscal year ended June 30, 2015. 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

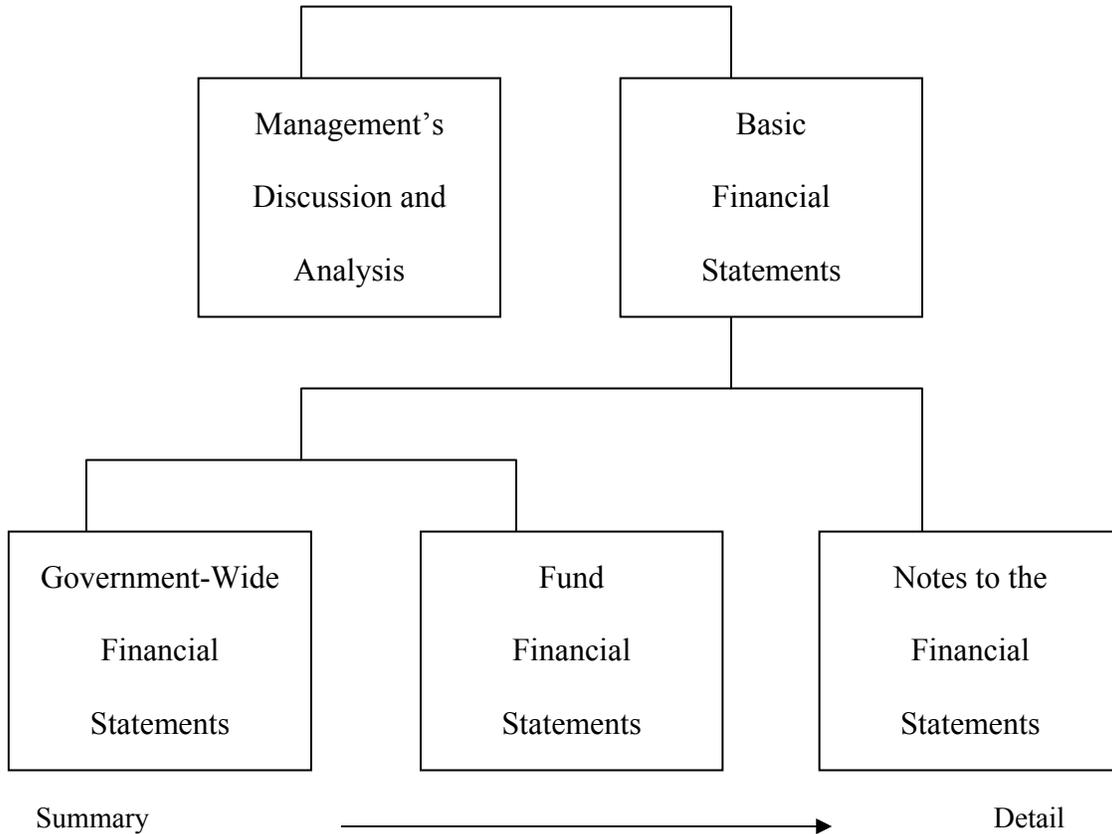
- The assets and deferred outflows of the Town of Benson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,348,090 (*net position*).
- The Town's total net position increased by \$172,505. This comprised of a decrease in net position from the Electric Fund of \$262,974 and an increase in the Water and Sewer Fund of \$585,605. The governmental activities' net position decreased by \$150,126.
- As of the close of the current fiscal year, the Town of Benson's governmental funds reported combined ending fund balances of \$2,130,879, a decrease of \$15,593 in comparison with the prior year. Approximately 23 percent of this total amount, or \$498,805, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,026,800, or 24 percent, of total General Fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Benson'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 Benson.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits C through K) 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 four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, environmental protection, culture and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide services. These include the water and sewer and electric services offered by the Town of Benson.

The government-wide financial statements are Exhibits A and B of this report.

## Fund Financial Statements

The fund financial statements 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 Benson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Benson can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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*. This method also has a current financial resources 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 Benson 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.** The Town of Benson 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 Benson uses enterprise funds to account for its water and sewer operations and electric operations. These funds are the same as the separate activity shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Benson has one fiduciary fund, which is a private-purpose trust fund.

**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 follow Exhibit K 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedule A-1 of this report.

**Interdependence with Other Entities.** The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

## Government-Wide Financial Analysis

**Town of Benson's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 2,392,235	\$ 2,257,088	\$ 2,255,810	\$ 2,235,257	\$ 4,648,045	\$ 4,492,345
Capital assets, net	7,863,728	8,129,656	11,905,368	10,904,354	19,769,096	19,034,010
Total assets	10,255,963	10,386,744	14,161,178	13,139,611	24,417,141	23,526,355
<b>Deferred Outflows of Resources</b>						
	70,570	-	53,910	-	124,480	-
<b>Liabilities:</b>						
Long-term liabilities outstanding	1,395,838	1,477,475	3,020,245	2,523,549	4,416,083	4,001,024
Other liabilities	287,026	242,194	992,172	832,829	1,279,198	1,075,023
Total liabilities	1,682,864	1,719,669	4,012,417	3,356,378	5,695,281	5,076,047
<b>Deferred Inflows of Resources</b>						
	282,490	61	215,760	-	498,250	61
<b>Net Position:</b>						
Net investment in capital assets	6,467,734	6,649,960	9,084,998	8,316,285	15,552,732	14,966,245
Restricted	498,805	490,646	-	-	498,805	490,646
Unrestricted	1,394,640	1,526,408	901,913	1,466,948	2,296,553	2,993,356
Total net position	\$ 8,361,179	\$ 8,667,014	\$ 9,986,911	\$ 9,783,233	\$ 18,348,090	\$ 18,450,247

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 Benson exceeded liabilities and deferred inflows by \$18,348,090 as of June 30, 2015. The Town's net position increased by \$172,505 for the fiscal year ended June 30, 2015. The largest portion of net position (85%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Benson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Benson'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 Benson's net position, \$498,805 (approximately 3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,296,553 is unrestricted. Also, the Town of Benson implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$274,662. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Benson's management.

Net position increased \$172,505 from operations due to the following:

- Total business-type revenues increased from prior year
- Total governmental activities revenues increased from the prior year

**Town of Benson's Changes in Net Position**  
**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 677,329	\$ 627,131	\$ 7,686,089	\$ 7,231,244	\$ 8,363,418	\$ 7,858,375
Operating grants and contributions	41,789	106,093	-	-	41,789	106,093
Capital grants and contributions	1,268,367	377,662	914,583	729,530	2,182,950	1,107,192
General revenues:						
Property taxes	1,509,452	1,528,992	-	-	1,509,452	1,528,992
Other taxes	968,679	899,664	-	-	968,679	899,664
Investment earnings, unrestricted	2,582	2,568	1,773	1,809	4,355	4,377
Total revenues	<u>4,468,198</u>	<u>3,542,110</u>	<u>8,602,445</u>	<u>7,962,583</u>	<u>13,070,643</u>	<u>11,504,693</u>
<b>Expenses:</b>						
General government	707,985	932,732	-	-	707,985	932,732
Public safety	2,284,646	1,290,668	-	-	2,284,646	1,290,668
Public works	113,251	159,520	-	-	113,251	159,520
Transportation	465,410	242,753	-	-	465,410	242,753
Sanitation	299,948	257,707	-	-	299,948	257,707
Culture and recreation	691,944	688,833	-	-	691,944	688,833
Water and sewer	-	-	3,310,141	2,143,566	3,310,141	2,143,566
Electric	-	-	4,969,673	4,609,156	4,969,673	4,609,156
Interest on long-term debt	55,140	51,859	-	-	55,140	51,859
Total expenses	<u>4,618,324</u>	<u>3,624,072</u>	<u>8,279,814</u>	<u>6,752,722</u>	<u>12,898,138</u>	<u>10,376,794</u>
Increase (decrease) in net position	<u>(150,126)</u>	<u>(81,962)</u>	<u>322,631</u>	<u>1,209,861</u>	<u>172,505</u>	<u>1,127,899</u>
<b>Net Position:</b>						
Beginning of year, as						
previously stated - July 1	8,667,014	8,748,976	9,783,233	8,573,372	18,450,247	17,322,348
Restatement	(155,709)	-	(118,953)	-	(274,662)	-
Beginning of year - July 1	<u>8,511,305</u>	<u>8,748,976</u>	<u>9,664,280</u>	<u>8,573,372</u>	<u>18,175,585</u>	<u>17,322,348</u>
End of year - June 30	<u>\$ 8,361,179</u>	<u>\$ 8,667,014</u>	<u>\$ 9,986,911</u>	<u>\$ 9,783,233</u>	<u>\$ 18,348,090</u>	<u>\$ 18,450,247</u>

**Governmental Activities.** Governmental activities resulted in a decrease in the Town's net position of \$150,126. Key elements of the decrease are as follows:

- Increase in expenses for public safety, public works, and transportation
- Decrease in revenues for operating grants and contributions and property taxes

**Business-Type Activities.** Business-type activities increased the Town's net position by \$322,631. Key elements of this increase are as follows:

- Increase in capital contribution in the Water and Sewer Fund
- Increase in charges for services for both Water and Sewer Fund and Electric Fund

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

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

**Governmental Funds.** The focus of the Town of Benson'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 Benson's financing requirements.

The General Fund is the chief operating fund of the Town of Benson. At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$1,487,141, while total fund balance was \$1,872,314. The Town has not adopted a formal fund balance policy. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 33.54% of total General Fund expenditures and transfers out, while total fund balance represents 42.22% of that same amount.

At June 30, 2015, the governmental funds of the Town of Benson reported a combined fund balance of \$2,130,879, approximately a 0.73% decrease over last year.

**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. Total amendments to the General Fund increased total revenue sources by \$1,377,205 (approximately 40%). Amendments were necessary due to the receipt of local option sales taxes and receipt of grant funds, which was taken into account in the original budget and, due to conservatism, used in compiling the original budget.

**Proprietary Funds.** The Town of Benson's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year totaled \$456,053. The total increase in net position from operations for the Water and Sewer Fund was \$585,605. Unrestricted net position of the Electric Fund at the end of the fiscal year totaled \$445,860. The total decrease in net position from operations in the Electric Fund was \$262,974.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Benson’s capital assets for its governmental and business–type activities as of June 30, 2015 totals \$19,769,096 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, plants and distribution systems, and construction in progress.

Major capital asset transactions during the year include:

- Addition of construction in progress in the Water and Sewer Fund in the amount of \$1,266,479 related to the construction and improvements of water and sewer lines
- Addition of capital assets in the Water and Sewer Fund in the amount of \$420,803 for the completion of the WWTP Collapsed Sewer Repair project

### Town of Benson’s Capital Assets (net of depreciation)

Figure 4

Additional information on the Town’s capital assets can be found in the Notes to the basic financial statements.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 495,016	\$ 495,016	\$ 28,870	\$ 28,870	\$ 523,886	\$ 523,886
Buildings and improvements	6,432,366	6,571,074	5,489,027	5,637,851	11,921,393	12,208,925
Infrastructure	82,765	87,420	-	-	82,765	87,420
Furniture, equipment, and machinery	667,499	743,335	245,364	208,139	912,863	951,474
Vehicles	186,082	232,811	47,758	59,795	233,840	292,606
Plant and distribution systems	-	-	3,793,739	3,514,765	3,793,739	3,514,765
Construction in progress	-	-	2,300,610	1,454,934	2,300,610	1,454,934
<b>Total</b>	<b>\$ 7,863,728</b>	<b>\$ 8,129,656</b>	<b>\$ 11,905,368</b>	<b>\$ 10,904,354</b>	<b>\$ 19,769,096</b>	<b>\$ 19,034,010</b>

**Debt Administration:**

**Town of Benson's Outstanding Long-Term Debt**

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue bonds	\$ -	\$ -	\$ 940,000	\$ 954,000	\$ 940,000	\$ 954,000
Notes payable	<u>1,395,994</u>	<u>1,479,696</u>	<u>2,121,733</u>	<u>1,634,069</u>	<u>3,517,727</u>	<u>3,113,765</u>
Total	<u>\$ 1,395,994</u>	<u>\$ 1,479,696</u>	<u>\$ 3,061,733</u>	<u>\$ 2,588,069</u>	<u>\$ 4,457,727</u>	<u>\$ 4,067,765</u>

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 the Town is approximately \$18,300,000.

Additional information on the Town's debt can be found in the notes to the basic financial statements.

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

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

- Flat unemployment. The Town of Benson's unemployment rate of 8.2 percent is above the State average of 6.8 percent.
- 35 new manufacturing jobs brought by PGI and \$24 million plan expansion. Management's emphasis on economic development continues to attract new business.
- Occupancy rates on office and retail space. The Town of Benson's occupancy rates are about 90 percent for the year, which is 5 percentage points above last year. Management expects that the occupancy rate for fiscal year 2015 will remain high.

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities.** Overall, General Fund revenues are budgeted to be approximately 19% less than 2015 actual amounts. This is due to the Fire Department grant from 2015 that does not have to be accounted for in the current year.

**Business-Type Activities.** Water and Sewer Fund revenues are budgeted to be approximately 4% less than 2015 actual amounts. Electric Fund revenues are budgeted to be approximately 5% less than 2015 actual amounts.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, P.O. Box 69, 303 E. Church Street, Benson, North Carolina 27504.

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## TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,778,231	\$ 373,993	\$ 2,152,224
Taxes receivable, net	9,319	-	9,319
Accounts receivable, net	53,188	1,160,290	1,213,478
Due from other governments	331,985	73,902	405,887
Inventories	-	110,367	110,367
Total current assets	<u>2,172,723</u>	<u>1,718,552</u>	<u>3,891,275</u>
Non-current assets:			
Net pension asset	<u>115,880</u>	<u>88,526</u>	<u>204,406</u>
Restricted assets:			
Cash and cash equivalents, restricted	<u>103,632</u>	<u>448,732</u>	<u>552,364</u>
Capital assets:			
Land and other non-depreciable capital assets	495,016	2,329,480	2,824,496
Depreciable capital assets, net	<u>7,368,712</u>	<u>9,575,888</u>	<u>16,944,600</u>
Total capital assets	<u>7,863,728</u>	<u>11,905,368</u>	<u>19,769,096</u>
Total non-current assets	<u>8,083,240</u>	<u>12,442,626</u>	<u>20,525,866</u>
Total assets	<u>10,255,963</u>	<u>14,161,178</u>	<u>24,417,141</u>
<b>Deferred Outflows of Resources:</b>			
Contributions to pension plan in current fiscal year	67,711	51,727	119,438
Pension deferrals	<u>2,859</u>	<u>2,183</u>	<u>5,042</u>
Total deferred outflows of resources	<u>70,570</u>	<u>53,910</u>	<u>124,480</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	137,548	575,052	712,600
Due to other governments	-	23,565	23,565
Payable from restricted assets	-	207,369	207,369
Long-term liabilities:			
Due within one year	149,478	186,186	335,664
Due in more than one year	<u>1,395,838</u>	<u>3,020,245</u>	<u>4,416,083</u>
Total liabilities	<u>1,682,864</u>	<u>4,012,417</u>	<u>5,695,281</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	61	-	61
Pension deferrals	<u>282,429</u>	<u>215,760</u>	<u>498,189</u>
Total deferred inflows of resources	<u>282,490</u>	<u>215,760</u>	<u>498,250</u>
<b>Net Position:</b>			
Net investment in capital assets	6,467,734	9,084,998	15,552,732
Restricted for:			
Stabilization by State statute	385,173	-	385,173
Debt service	77,716	-	77,716
Economic and physical development	25,916	-	25,916
Cultural and recreation	10,000	-	10,000
Unrestricted	<u>1,394,640</u>	<u>901,913</u>	<u>2,296,553</u>
Total net position	<u>\$ 8,361,179</u>	<u>\$ 9,986,911</u>	<u>\$ 18,348,090</u>

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

TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 707,985	\$ 160,638	\$ 11,714	\$ 1,125,449
Public safety	2,284,646	31,429	30,075	28,378
Public works	113,251	-	-	-
Transportation	465,410	-	-	104,540
Sanitation	299,948	285,337	-	-
Cultural and recreation	691,944	199,925	-	10,000
Interest on long-term debt	55,140	-	-	-
Total governmental activities	<u>4,618,324</u>	<u>677,329</u>	<u>41,789</u>	<u>1,268,367</u>
<b>Business-Type Activities:</b>				
Water and sewer	3,310,141	2,555,224	-	914,583
Electric	4,969,673	5,130,865	-	-
Total business-type activities	<u>8,279,814</u>	<u>7,686,089</u>	<u>-</u>	<u>914,583</u>
Total primary government	<u>\$ 12,898,138</u>	<u>\$ 8,363,418</u>	<u>\$ 41,789</u>	<u>\$ 2,182,950</u>

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

**TOWN OF BENSON, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ 589,816	\$ -	\$ 589,816
Public safety	(2,194,764)	-	(2,194,764)
Public works	(113,251)	-	(113,251)
Transportation	(360,870)	-	(360,870)
Sanitation	(14,611)	-	(14,611)
Cultural and recreation	(482,019)	-	(482,019)
Interest on long-term debt	(55,140)	-	(55,140)
Total governmental activities	(2,630,839)	-	(2,630,839)
<b>Business-Type Activities:</b>			
Water and sewer	-	159,666	159,666
Electric	-	161,192	161,192
Total business-type activities	-	320,858	320,858
Total primary government	(2,630,839)	320,858	(2,309,981)
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	1,509,452	-	1,509,452
Local option taxes	525,564	-	525,564
Utility franchise tax	358,445	-	358,445
Other taxes	84,670	-	84,670
Investment earnings	2,582	1,773	4,355
Total general revenues	2,480,713	1,773	2,482,486
Change in net position	(150,126)	322,631	172,505
<b>Net Position:</b>			
Beginning of year, as previously stated - July 1	8,667,014	9,783,233	18,450,247
Restatement	(155,709)	(118,953)	(274,662)
Beginning of year - July 1	8,511,305	9,664,280	18,175,585
End of year - June 30	\$ 8,361,179	\$ 9,986,911	\$ 18,348,090

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

## TOWN OF BENSON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,526,735	\$ 251,496	\$ 1,778,231
Taxes receivable, net	9,319	-	9,319
Accounts receivable, net	53,188	-	53,188
Due from other governments	331,985	-	331,985
Restricted cash and cash equivalents	77,716	25,916	103,632
Total assets	<u>\$ 1,998,943</u>	<u>\$ 277,412</u>	<u>\$ 2,276,355</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 117,249	\$ 18,847	\$ 136,096
Total liabilities	<u>117,249</u>	<u>18,847</u>	<u>136,096</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	9,319	-	9,319
Prepaid taxes	61	-	61
Total deferred inflows of resources	<u>9,380</u>	<u>-</u>	<u>9,380</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	385,173	-	385,173
Restricted, all other	77,716	35,916	113,632
Committed	-	222,649	222,649
Assigned	382,625	-	382,625
Unassigned	1,026,800	-	1,026,800
Total fund balances	<u>1,872,314</u>	<u>258,565</u>	<u>2,130,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,998,943</u>	<u>\$ 277,412</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	7,863,728
Long-term liabilities, accrued interest, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(1,546,768)
Deferred inflows of resources for taxes receivable	9,319
Net pension asset	115,880
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	67,711
Pension related deferrals	<u>(279,570)</u>
Net position of governmental activities per Exhibit A	<u>\$ 8,361,179</u>

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

## TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,525,811	\$ -	\$ 1,525,811
Other taxes and licenses	968,679	-	968,679
Unrestricted intergovernmental	38,278	-	38,278
Restricted intergovernmental	1,269,617	10,000	1,279,617
Permits and fees	470,208	-	470,208
Investment earnings	2,545	37	2,582
Miscellaneous	179,382	20,000	199,382
Total revenues	<u>4,454,520</u>	<u>30,037</u>	<u>4,484,557</u>
<b>Expenditures:</b>			
Current:			
General government	559,834	-	559,834
Public safety	2,245,263	-	2,245,263
Public works	136,076	-	136,076
Transportation	245,650	222,960	468,610
Sanitation	300,382	-	300,382
Cultural and recreation	650,981	-	650,981
Debt service:			
Principal	83,702	-	83,702
Interest and other charges	55,302	-	55,302
Total expenditures	<u>4,277,190</u>	<u>222,960</u>	<u>4,500,150</u>
Revenues over (under) expenditures	<u>177,330</u>	<u>(192,923)</u>	<u>(15,593)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	157,040	157,040
Transfers to other funds	<u>(157,040)</u>	<u>-</u>	<u>(157,040)</u>
Total other financing sources (uses)	<u>(157,040)</u>	<u>157,040</u>	<u>-</u>
Net change in fund balances	20,290	(35,883)	(15,593)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,852,024</u>	<u>294,448</u>	<u>2,146,472</u>
End of year - June 30	<u>\$ 1,872,314</u>	<u>\$ 258,565</u>	<u>\$ 2,130,879</u>

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

**TOWN OF BENSON, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (15,593)
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	(16,359)
Expenses related to compensated absences, other post-employment benefits, net pension obligation, and pension expense that do not require current financial resources and are not reported as expenditures in the governmental funds statement.	(3,821)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	86,285
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	67,711
Expenses related to accrued interest that do not require current financial resources are not reported as expenditures in the governmental funds statement.	162
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(328,895)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	83,702
Gain/(loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from sale of assets are not affected by gain/(loss) in the governmental funds statement.	<u>(23,318)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (150,126)</u>

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

## TOWN OF BENSON, NORTH CAROLINA

**MAJOR GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget Over/Under</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,409,555	\$ 1,491,851	\$ 1,525,811	\$ 33,960
Other taxes and licenses	842,243	972,065	968,679	(3,386)
Unrestricted intergovernmental	28,500	34,931	38,278	3,347
Restricted intergovernmental	333,631	1,302,608	1,269,617	(32,991)
Permits and fees	437,526	497,034	470,208	(26,826)
Investment earnings	500	2,470	2,545	75
Miscellaneous	252,200	252,300	179,382	(72,918)
Total revenues	<u>3,304,155</u>	<u>4,553,259</u>	<u>4,454,520</u>	<u>(98,739)</u>
<b>Expenditures:</b>				
Current:				
General government	528,833	628,212	559,834	68,378
Public safety	1,362,280	2,360,045	2,245,263	114,782
Public works	214,762	299,265	136,076	163,189
Transportation	323,360	261,098	245,650	15,448
Sanitation	270,000	311,500	300,382	11,118
Cultural and recreation	629,500	683,310	650,981	32,329
Debt service:				
Principal retirement	55,294	55,304	83,702	(28,398)
Interest and other charges	83,702	83,702	55,302	28,400
Total expenditures	<u>3,467,731</u>	<u>4,682,436</u>	<u>4,277,190</u>	<u>405,246</u>
Revenues over (under) expenditures	<u>(163,576)</u>	<u>(129,177)</u>	<u>177,330</u>	<u>306,507</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(3,639)	(166,139)	(157,040)	9,099
Appropriated fund balance	167,215	295,316	-	(295,316)
Total other financing sources (uses)	<u>163,576</u>	<u>129,177</u>	<u>(157,040)</u>	<u>(286,217)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	20,290	<u>\$ 20,290</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>1,852,024</u>	
End of year - June 30			<u>\$ 1,872,314</u>	

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

## TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	<b>Major Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 118,131	\$ 255,862	\$ 373,993
Accounts receivable, net	683,468	476,822	1,160,290
Due from other governments	16,071	57,831	73,902
Due from other funds	4,619	-	4,619
Inventories	93,578	16,789	110,367
Cash and cash equivalents, restricted	177,935	270,797	448,732
Total current assets	<u>1,093,802</u>	<u>1,078,101</u>	<u>2,171,903</u>
Non-current assets:			
Net pension asset	35,070	53,456	88,526
Capital assets:			
Land	-	28,870	28,870
Construction in progress	-	2,300,610	2,300,610
Depreciable capital assets, net	371,969	9,203,919	9,575,888
Capital assets, net	<u>371,969</u>	<u>11,533,399</u>	<u>11,905,368</u>
Total non-current assets	<u>407,039</u>	<u>11,586,855</u>	<u>11,993,894</u>
Total assets	<u>1,500,841</u>	<u>12,664,956</u>	<u>14,165,797</u>
<b>Deferred Outflows of Resources:</b>			
Contributions to pension plan in current fiscal year	20,492	31,235	51,727
Pension deferrals	865	1,318	2,183
Total deferred outflows of resources	<u>21,357</u>	<u>32,553</u>	<u>53,910</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	373,601	201,451	575,052
Due to other governments	23,565	-	23,565
Due to Electric Fund, current	-	4,619	4,619
Compensated absences, current	6,000	26,000	32,000
Current portion of long-term debt	-	154,186	154,186
Liabilities payable from restricted assets:			
Customer deposits	177,935	29,434	207,369
Total current liabilities	<u>581,101</u>	<u>415,690</u>	<u>996,791</u>
Non-current liabilities:			
Compensated absences, non-current	197	11,727	11,924
Long-term debt	37,596	2,970,725	3,008,321
Total non-current liabilities	<u>37,793</u>	<u>2,982,452</u>	<u>3,020,245</u>
Total liabilities	<u>618,894</u>	<u>3,398,142</u>	<u>4,017,036</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	85,475	130,285	215,760
<b>Net Position:</b>			
Net investment in capital assets	371,969	8,713,029	9,084,998
Unrestricted	<u>445,860</u>	<u>456,053</u>	<u>901,913</u>
Total net position	<u>\$ 817,829</u>	<u>\$ 9,169,082</u>	<u>\$ 9,986,911</u>

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

## TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds		Total
	Electric Fund	Water and Sewer Fund	
<b>Operating Revenues:</b>			
Charges for services	\$ 5,087,982	\$ 2,535,068	\$ 7,623,050
Other operating revenues	42,883	20,156	63,039
Total operating revenues	<u>5,130,865</u>	<u>2,555,224</u>	<u>7,686,089</u>
<b>Operating Expenses:</b>			
General operations	-	595,658	595,658
Electric operations	960,491	-	960,491
Power/water purchased	3,856,221	581,827	4,438,048
Equipment and line improvements	98,567	1,117,023	1,215,590
Water distribution	-	44,883	44,883
Waste water collection	-	600,245	600,245
Depreciation	54,394	292,889	347,283
Total operating expenses	<u>4,969,673</u>	<u>3,232,525</u>	<u>8,202,198</u>
Operating income (loss)	<u>161,192</u>	<u>(677,301)</u>	<u>(516,109)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment earnings	834	939	1,773
Interest and other charges	-	(77,616)	(77,616)
Total non-operating revenues (expenses)	<u>834</u>	<u>(76,677)</u>	<u>(75,843)</u>
Income (loss) before capital contribution and transfers	<u>162,026</u>	<u>(753,978)</u>	<u>(591,952)</u>
Capital contribution	-	914,583	914,583
Transfers from other funds	-	425,000	425,000
Transfers to other funds	(425,000)	-	(425,000)
Total	<u>(425,000)</u>	<u>1,339,583</u>	<u>914,583</u>
Change in net position	<u>(262,974)</u>	<u>585,605</u>	<u>322,631</u>
<b>Net Position:</b>			
Beginning of year - July 1	1,127,927	8,655,306	9,783,233
Restatement	(47,124)	(71,829)	(118,953)
Beginning of year - July 1, as restated	<u>1,080,803</u>	<u>8,583,477</u>	<u>9,664,280</u>
End of year - June 30	<u>\$ 817,829</u>	<u>\$ 9,169,082</u>	<u>\$ 9,986,911</u>

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

## TOWN OF BENSON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Major Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 5,156,240	\$ 2,490,899	\$ 7,647,139
Cash paid for goods and services	(4,495,605)	(2,431,029)	(6,926,634)
Cash paid to or on behalf of employees for services	(421,163)	(378,719)	(799,882)
Net cash provided (used) by operating activities	<u>239,472</u>	<u>(318,849)</u>	<u>(79,377)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Change in due (to) from other funds	54,065	(74,048)	(19,983)
Transfers from other funds	-	425,000	425,000
Transfers to other funds	(425,000)	-	(425,000)
Net cash provided (used) by non-capital financing activities	<u>(370,935)</u>	<u>350,952</u>	<u>(19,983)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(1,348,297)	(1,348,297)
Proceeds from issuance of long-term debt	-	646,000	646,000
Principal paid on long-term debt	-	(172,336)	(172,336)
Interest paid on long-term debt	-	(77,616)	(77,616)
Capital contributions - State and local grant	-	914,583	914,583
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(37,666)</u>	<u>(37,666)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment earnings	834	939	1,773
Net increase (decrease) in cash and cash equivalents	(130,629)	(4,624)	(135,253)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	426,695	531,283	957,978
End of year - June 30	<u>\$ 296,066</u>	<u>\$ 526,659</u>	<u>\$ 822,725</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>			
Operating income (loss)	\$ 161,192	\$ (677,301)	\$ (516,109)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>			
Depreciation	54,394	292,889	347,283
Pension expense	2,416	3,682	6,098
<b>Changes in Assets and Liabilities:</b>			
(Increase) decrease in accounts receivable	(2,354)	(43,356)	(45,710)
(Increase) decrease in inventory	1,500	(3,087)	(1,587)
Increase (decrease) in accounts payable and accrued liabilities	17,950	128,569	146,519
Increase (decrease) in customer deposits	19,737	3,172	22,909
(Increase) decrease in deferred outflows of resources for pensions	(20,492)	(31,235)	(51,727)
Increase (decrease) in OPEB payable	5,129	7,818	12,947
Net cash provided (used) by operating activities	<u>\$ 239,472</u>	<u>\$ (318,849)</u>	<u>\$ (79,377)</u>

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

**TOWN OF BENSON, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015**

	<u>Fiduciary Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>
<b>Assets:</b>	
Investments	\$ <u>25,495</u>
<b>Net Position:</b>	
Held in trust	\$ <u>25,495</u>

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

**TOWN OF BENSON, NORTH CAROLINA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Fiduciary Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>
<b>Additions:</b>	
Investment earnings	\$ 394
<b>Deductions:</b>	
Special projects	<u>1,804</u>
Change in net position	(1,410)
<b>Net Position:</b>	
Beginning of year, July 1	<u>26,905</u>
End of year, June 30	<u>\$ 25,495</u>

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

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Benson (the "Town") 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 is a municipal corporation that is governed by an elected Mayor and a six-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the Town.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Exhibit A - Statement of Net Position and Exhibit B - Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The General Fund, Water and Sewer Fund, and Electric Fund are the major funds of the Town for the year ended June 30, 2015.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish between operating revenues, expenses, and 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 revenue of the Water and Sewer Fund and the Electric Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of 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 fund financial statements 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

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration 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 susceptible to accrual and are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Johnston County and then remitted and distributed by the State. Other revenues considered susceptible to accrual include grant revenue in which related expenditures have already been incurred, interest revenue, and charges for services. Licenses, fines, permits, and other revenue are not susceptible to accrual because they are generally not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the Town's water and sewer funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **D. Basis of Presentation-Fund Accounting**

The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

#### **Governmental Funds**

The Town reports the following major governmental fund:

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

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Town reports the following nonmajor governmental funds:

**Special Revenue Fund.** Special revenue funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The USDA Grant Fund is the Town's only special revenue fund.

**Capital Project Funds.** Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Town has four governmental capital project funds: Street Paving Project, Bulletproof Vest Program, Auditorium Restroom Improvement Project and Capital Reserve.

### **Proprietary Funds**

**Enterprise Funds.** Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has two enterprise funds: Water and Sewer Fund and Electric Fund.

### **Private-Purpose Trust Fund**

Private-purpose trust funds are used to account for trust arrangements under which the principal and income benefits individuals, private organizations, or other governments. The Town maintains one private purpose trust fund: the J.L. George Endowment Beautification Grant Trust Fund was created to preserve for the future beauty of the Town. The trust permits its earnings to be expended to support specific projects.

## **F. Budgetary Data**

Department heads submit budget requests to the Town Manager by April 30. After reviewing requests and making adjustments, a proposed budget is submitted to the Board by June 1. The Board holds public hearings, and the final budget ordinance is adopted prior to July 1. The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Water and Sewer Fund, and Electric Fund. All annual appropriations lapse at the fiscal-year-end. Project ordinances are adopted for all other capital project funds, special revenue funds, and the enterprise fund capital project funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by \$1,000 or more. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary.

# **TOWN OF BENSON, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **Deposits and Investments**

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

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

### **G. Cash and Cash Equivalents**

All cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents.

### **H. Restricted Assets**

Consistent with a loan resolution with the USDA rural development, the Town is required to fund and maintain a reserve account in an amount equal to one annual payment. These funds can be established as restricted cash for USDA reserve in a single deposit equal to one year's debt service or in annual deposits equal to ten percent of the annual payment until the reserve has an amount equal to one year's debt service. The Town has decided to fund this with annual deposits equal to ten percent of the annual payment until the reserve has an amount equal to one year's debt service. Amount in the USDA Grant Fund is classified as restricted assets because its use is restricted to the purpose for which those funds were obtained; loans to local businesses for economic and physical development. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Unexpended debt proceeds in the Water and Sewer Fund are classified as restricted for the enterprise fund because their use is restricted for the purpose that debt was issued.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Restricted Cash</u>	<u>Total</u>
<b>Governmental Activities:</b>	
General Fund:	
Debt service	\$ 77,716
Other governmental funds:	
USDA Grant Fund	
Economic and physical development	25,916
Total governmental activities	<u>103,632</u>
<b>Business-Type Activities:</b>	
Electric Fund:	
Customer deposits	177,935
Water and Sewer Fund:	
Unspent debt proceeds	241,363
Customer deposits	29,434
Total business-type activities	<u>448,732</u>
<b>Private Purpose Trust Fund:</b>	
J.L. George Endowment	
Beautification Grant Trust Fund	<u>25,495</u>
Total restricted cash	<u>\$ 577,859</u>

**I. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. 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.

**J. 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.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Inventory and Prepaid Items

The Town records inventory at the lower of cost or market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect cost 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.

### K. 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. The minimum capitalization threshold is \$5,000 for all capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation if the fair value is \$5,000 or greater. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, electrical system, and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements	10-25 years
Infrastructure	40-50 years
Furnishings and fixtures	10 years
Automobiles	6-10 years
Equipment (non-computer)	5-10 years
Computer equipment	3 years
Software	3 years

### L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 two items that meet this criterion, contributions made to the pension plan in the current year and pension deferrals. In addition to liabilities, that Statement of Net Position will sometimes report a

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, taxes receivable and pension deferral.

### **M. 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 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 discounts. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. 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.

### **N. Compensated Absences**

The vacation policies of the Town provide for the accumulation of up to 240 hours earned vacation leave, with such leave being fully vested when earned. For the Town, the accumulated vacation pay has been reported in the governmental funds as an expense and a liability. For the Town's proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

### **O. 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 a) externally imposed by creditors, grantors,

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

contributors, or laws or regulations of other governments, or b) 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 balance as follows:

**Non-Spendable 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 revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>
<i>Restricted for Stabilization of State Statute</i> - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]	\$ 385,173	\$ -	\$ -
<i>Restricted for Debt Service</i> - portion of fund balance that is restricted by loan resolution with USDA for future debt service.	77,716	-	-
<i>Restricted for Cultural and Recreation</i> - portion of fund balance that is restricted by revenue source for Auditorium Restroom Improvements.	-	-	10,000
<i>Restricted for Economic and Physical Development</i> - portion of fund balance restricted by revenue source for economic development purposes.	-	25,916	-
<b>Total</b>	<b>\$ 462,889</b>	<b>\$ 25,916</b>	<b>\$ 10,000</b>

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Benson'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.

	<b>Capital Project Funds</b>
<i>Committed for Public Safety</i> - portion of fund balance that is committed to the Benson Police Department Bulletproof Vest Program.	\$ 2,443
<i>Committed for Transportation</i> - portion of fund balance that is committed to the Street Paving Project.	9,080
<i>Committed for Capital Outlay</i> - portion of fund balance that is committed to future capital expenditures.	<u>211,126</u>
Total	<u>\$ 222,649</u>

### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town's governing board has budgeted and intends to use for specific purposes.

	<b>General Fund</b>
<i>Assigned for Public Safety</i> - portion of fund balance that is assigned for public safety.	\$ 37,389
<i>Assigned for Cultural and Recreation</i> - portion of fund balance that is assigned for cultural and recreation.	71,218
<i>Assigned for Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.	<u>274,018</u>
Total	<u>\$ 382,625</u>

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Unassigned Fund Balance

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

The Town 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, and 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's in the best interest of the Town.

The Town has not adopted a formal minimum fund balance policy.

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

Total fund balance - General Fund (Exhibit C)	\$ 1,872,314
<b>Less:</b>	
Stabilization by State statute	<u>(385,173)</u>
Available for appropriation	<u>\$ 1,487,141</u>

### P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

### Q. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, 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 Benson's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 2. Stewardship, Compliance, and Accountability

#### A. Non-Compliance with North Carolina General Statutes

The Town has investments in preferred stock in the J.L. George Endowment Beautification Grant Trust Fund, which is a violation of State Law [G.S. 159-30(c)]. State law requires that the Town invest its monies only in certain types of securities, which prohibits investing in preferred stock. The Town will consider converting its shares of preferred stock into securities that are in compliance with State law.

In accordance with G.S. 159-29, the Town's Finance Director is required to be bonded individually under a surety bond for at least \$50,000. The Finance Director of the Town was not covered under a separate surety bond. The Town will add a \$50,000 Finance Director Bond subsequent to the fiscal year end.

### 3. Cash Deposits

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

At June 30, 2015, the Town's deposits had a carrying amount of \$2,704,288 and a bank balance of \$2,742,086 of which \$500,000 was covered by federal depository insurance and \$2,242,086 was covered by collateral under the Dedicated Method and monitored by the State Treasurer.

At June 30, 2015, the Town had \$300 cash on hand.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**4. Investments**

As of June 30, 2015, the Town had an investment in equity securities in the J.L. George Endowment Beautification Grant Trust Fund. The market value of these securities was \$25,495 as of the close of business on June 30, 2015. The Town has no formal policy regarding credit risk of its investments.

**5. Receivables - Allowances for Doubtful Accounts**

Receivables at Exhibit A at June 30, 2015 were as follows:

	<b>Taxes</b>	<b>Accounts</b>	<b>Due from Other Governments</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 12,059	\$ 53,832	\$ 331,985	\$ 397,876
Allowance for doubtful accounts	(2,740)	(644)	-	(3,384)
Total governmental activities	\$ 9,319	\$ 53,188	\$ 331,985	\$ 394,492
<b>Business-Type Activities:</b>				
Electric	\$ -	\$ 851,199	\$ 16,071	\$ 867,270
Water and Sewer	-	799,133	57,831	856,964
Total receivables	-	1,650,332	73,902	1,724,234
Allowance for doubtful accounts	-	(490,042)	-	(490,042)
Total business-type activities	\$ -	\$ 1,160,290	\$ 73,902	\$ 1,234,192

Due from other governments consisted of the following:

Local option sales tax	\$ 331,985
Sales tax refund	73,902
Total	\$ 405,887

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**6. Capital Assets**

Capital asset activity for the governmental activities of the Town for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 495,016	\$ -	\$ -	\$ 495,016
Total non-depreciable capital assets	<u>495,016</u>	<u>-</u>	<u>-</u>	<u>495,016</u>
<b>Depreciable Capital Assets:</b>				
Buildings and structures	8,342,372	48,000	-	8,390,372
Infrastructure	96,888	-	-	96,888
Furniture, equipment, and machinery	1,140,424	-	-	1,140,424
Vehicles	1,467,536	38,285	(32,654)	1,473,167
Total depreciable capital assets	<u>11,047,220</u>	<u>86,285</u>	<u>(32,654)</u>	<u>11,100,851</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	1,771,298	186,708	-	1,958,006
Infrastructure	9,468	4,655	-	14,123
Furniture, equipment, and machinery	397,089	75,836	-	472,925
Vehicles	1,234,725	61,696	(9,336)	1,287,085
Total accumulated depreciation	<u>3,412,580</u>	<u>\$ 328,895</u>	<u>\$ (9,336)</u>	<u>3,732,139</u>
Capital assets, net	<u>7,634,640</u>			<u>7,368,712</u>
Total capital assets	<u>\$ 8,129,656</u>			<u>\$ 7,863,728</u>

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

General government	\$ 129,121
Public safety	117,819
Public works	25,858
Cultural and recreation	56,097
Total	<u>\$ 328,895</u>

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The following is a summary of changes in the enterprise fund-type capital assets for the fiscal year:

	<b>Balance July 1, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 28,870	\$ -	\$ -	\$ 28,870
Construction in progress	1,454,934	1,266,479	(420,803)	2,300,610
Total non-depreciable capital assets	1,483,804	1,266,479	(420,803)	2,329,480
<b>Depreciable Capital Assets:</b>				
Buildings and structures	7,446,204	-	-	7,446,204
Water and sewer systems	5,175,719	420,803	-	5,596,522
Furniture and equipment	833,339	81,818	-	915,157
Vehicles	127,235	-	-	127,235
Total depreciable capital assets	13,582,497	502,621	-	14,085,118
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	1,808,353	148,824	-	1,957,177
Water and sewer systems	2,039,258	100,608	-	2,139,866
Furniture and equipment	642,251	37,762	-	680,013
Vehicles	98,448	5,695	-	104,143
Total accumulated depreciation	4,588,310	\$ 292,889	\$ -	4,881,199
Capital assets, net	8,994,187			9,203,919
Total capital assets	10,477,991			11,533,399
 <b>Electric Fund:</b>				
<b>Depreciable Capital Assets:</b>				
Electrical system	2,061,037	\$ -	\$ -	2,061,037
Furniture and equipment	232,432	-	-	232,432
Vehicles	347,049	-	-	347,049
Total depreciable capital assets	2,640,518	-	-	2,640,518
<b>Less Accumulated Depreciation:</b>				
Electric system	1,682,733	41,221	-	1,723,954
Furniture and equipment	215,381	6,831	-	222,212
Vehicles	316,041	6,342	-	322,383
Total accumulated depreciation	2,214,155	\$ 54,394	\$ -	2,268,549
Capital assets, net	426,363			371,969
 Total enterprise funds capital assets, net	 \$ 10,904,354			 \$ 11,905,368

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Construction Commitments**

The government has active construction projects as of June 30, 2015. The projects and amounts expended to date are as follows:

<b>Water and Sewer Capital Projects:</b>	
Community Development Program Infrastructure	<u>\$ 241,363</u>

**7. Accounts Payable - Disaggregate Information**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Trade payables	\$ 125,246	\$ 530,966
Accrued salaries and expenses	10,850	24,096
Accrued interest	1,452	19,990
Total	\$ 137,548	\$ 575,052

**8. Pension Plan Obligations**

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

**Plan Description.** The Town is a participating member in the State-wide 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 government 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 33 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 member. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable services. 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

## TOWN OF BENSON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Benson 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 Benson's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 Benson were \$119,438 for the year ended June 30, 2015.

**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, 2015, the Town reported an asset of \$204,406 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of the future payroll covered by the pension plan, relative to the projected future payroll

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.033%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$14,079. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 22,335
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	475,854
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,042	-
Town contributions subsequent to the measurement date	119,438	-
Total	\$ 124,480	\$ 498,189

\$119,438 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2016	\$ (123,297)
2017	(123,297)
2018	(123,297)
2019	(123,256)
2020	-
Thereafter	-
Total	\$ (493,147)

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	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

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, 2013 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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	100%	

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

**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 contribution 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 benefits 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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>Discount Rate</b>	<b>(8.25%)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Town's proportionate share of the net pension liability (asset)	\$ 693,843	\$ (204,406)	\$ (960,702)

**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.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### B. Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>16</u>
Total	<u>16</u>

A separate report was not issued for the plan.

### 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, non-employer contributing entities, the plan administrator, and plan members.

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

**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.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**Annual Pension Cost and Net Pension Obligation.** The Town has chosen not to have an actuarial study performed for the plan because the liability is considered to be immaterial. The Town funds the plan when benefits are due and records those payments as General Fund expenditures.

**Funded Status and Funding Progress.** As of June 30, 2015, the plan was not funded. The Actuarial Accrued Liability for benefits and the Unfunded Actuarial Accrued Liability (UAAL) were considered to be immaterial.

### C. Supplemental Retirement Income Plan for Law Enforcement Officers

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$23,114, which consisted of \$21,733 from the Town and \$1,381 from the law enforcement officers.

### Supplemental Retirement Income Plan for Employees

**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 Town employees, including law enforcement employees. The Plan 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 Plan. 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.** The Town elects to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$79,023, which consisted of \$62,149 from the Town and \$16,874 from the employees.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### D. Other Post-Employment Benefits

#### Healthcare Benefits

**Plan Description.** Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB plan). This plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty or more years of service with the Town. The Town pays the cost of coverage for these benefits ranging from 0% to 100% depending on the years of service with the Town at retirement. Retirees with 30 years of service and under the age of social security eligibility will be provided with full health care coverage until they reach the age of social security eligibility. The Town will pay 50% of the cost for full health care coverage for retirees under the age of social security eligibility with at least 25 years of service, until they reach social security eligibility. Retirees under the age of social security disability with 20 to 25 years of service will be allowed to participate in the Town's group medical insurance plan until they reach the age of social security disability with the employee paying the full premium cost. Upon reaching the age of social security eligibility, retirees may purchase a Supplemental Medical Insurance Policy through the Town's insurance carrier, providing the Town's medical insurance carrier allows this policy at the time of request. Retirees will be required to pay premiums owed for regular or supplemental coverage before the first day of each month. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation.

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members, general employees	30
Active plan members, Law enforcement officers	15
Total	<u>48</u>

**Funding Policy.** The Town pays the cost of coverage for the healthcare benefits paid to qualified retirees, ranging from 0% to 100% depending on the years of service with the Town at retirement, under a Town resolution that can be amended by the Board of Commissioners. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 1.72% of annual covered payroll. For the current year, the Town contributed \$15,751, or 0.93% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 29,653
Interest on net OPEB obligation	5,386
Adjustment to annual required contribution	<u>(5,145)</u>
Annual OPEB cost (expense)	29,894
Contributions made	<u>(15,751)</u>
Increase (decrease) in net OPEB obligation	14,143
Net OPEB obligation:	
Beginning of year - July 1	<u>134,646</u>
End of year - June 30	<u>\$ 148,789</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	\$ 29,894	52.69%	\$ 148,789
2014	45,560	31.10%	134,646
2013	45,488	70.46%	103,257

**Funded Status and Funding Progress.** As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$281,212. The covered payroll (annual payroll of active employees covered by the plan) was \$1,692,979, and the ratio of the UAAL to the covered payroll was 16.6 percent. Actuarial valuations of an ongoing plan involve 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

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

results are compared with past expectations 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 multi-year 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.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

### **Other Employee Benefits**

The Town has also 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and law enforcement officers. The Town considers these contributions to be immaterial.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Deferred outflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 119,438
Pension deferrals	5,042
Total	<u>\$ 124,480</u>

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 498,189
Prepaid taxes	61
Taxes receivable, net	9,319
Total	<u>\$ 507,569</u>

**10. 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 purchases its insurance through a private agency. Through this agency, the Town obtains general liability and auto liability coverage of \$2 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 a \$4 million lifetime limit. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town is not in a flood plain; however, the Town does carry \$1,000,000 of "difference in condition" coverage for flood or earthquake with a \$50,000 deductible.

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. All employees are covered by a blanket bond of \$100,000.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**11. Long-Term Obligations**

**A. Governmental Activities Long-Term Debt**

\$610,000 USDA loan issued June 2006, interest at 4.25%, payable in annual installments of \$36,356, including interest, with a final payment due in 2036; secured by fire department building	\$ 496,711
\$695,000 USDA loan issued June 2006, interest at 4.125%, payable in annual installments of \$40,810, including interest, with a final payment due in 2036; secured by fire department building	555,430
\$155,820 note issued May 2010, interest at 3.37%, payable in annual installments of \$25,360, including interest, with a final payment due in 2017; secured by equipment	48,266
\$325,000 note issued June 2014, interest at 2.15%, payable in annual installments of \$36,477, including interest, with a final payment due in 2024; secured by equipment	<u>295,587</u>
Total governmental activities notes payable	<u>\$ 1,395,994</u>

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2015 are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 86,478	\$ 52,526	\$ 139,004
2017	89,307	49,696	139,003
2018	66,858	46,785	113,643
2019	69,017	44,627	113,644
2020	71,240	42,403	113,643
2021-2025	356,174	175,563	531,737
2026-2030	267,313	118,517	385,830
2031-2035	328,109	57,721	385,830
2036	<u>61,497</u>	<u>3,083</u>	<u>64,580</u>
Total	<u>\$ 1,395,994</u>	<u>\$ 590,921</u>	<u>\$ 1,986,914</u>

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**B. Business-Type Activities Long-Term Debt**

**Water and Sewer Fund**

\$1,750,000 Clean Water Revolving Loan issued March 2008, interest at 2.265%, payable in annual installments of \$87,500, plus semi-annual interest payments; final payment due in 2028; secured by system assets	\$ 1,137,500
\$367,403 State Emergency Loan issued October 2013, interest at 0%, payable in annual installments of \$18,370, with a final payment due in 2034, secured by system assets	349,033
\$430,000 Water Line Repairs, phase 2 loan issued September 2014, interest at 3.36%, payable in annual installments of \$36,865, with final payment due in September 2029, secured by system assets	430,000
\$216,000 Drinking Water State Revolving Loan issued in May 2014, interest at 0%, payable in annual installments of \$10,800, with final payment due in May 2034, secured by system assets	<u>205,200</u>
Total enterprise funds notes payable	<u>\$ 2,121,733</u>

**C. Revenue Bonds Payable – Water and Sewer**

\$981,000 Series 2010 Water and Sewer Revenue Bonds, interest at 3.25%, due in \$13,000 to \$44,000 annual installments, plus interest, final payment due 2050	<u>\$ 940,000</u>
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## TOWN OF BENSON, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5 of the Bond Order, authorizing the issuance of the Series 2010 water and sewer revenue bonds since its adoption in 2009. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 110 percent. Section 5.02 of the Bond Order also requires the debt service coverage ratio to be no less than 100 percent of the Subordinated Debt Service Requirement. The debt service coverage ratio calculations for the year ended June 30, 2015 are as follows:

Operating revenues	\$ 2,555,224
Operating expenses*	<u>2,939,636</u>
Operating income	(384,412)
Non-operating revenues (expenses)**	<u>939</u>
Income available for debt service	<u>\$ (383,473)</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 45,005</u>
Debt service coverage ratio	<u>-852.07%</u>
Subordinated Debt Service:	
Debt service, principal, and interest paid (Subordinated Debt Service only)	<u>\$ 204,947</u>
Debt service coverage ratio	<u>-187.11%</u>

\*Per rate covenants, this does not include the depreciation expense of \$292,889.

\*\*Per rate covenants, this does not include interest paid of \$77,616.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$981,000 in water and sewer system revenue bonds issued June 2010. Proceeds from the bonds provided financing for the extension of water and sewer lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2050. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,588,863. Principal and interest paid for the current year and total customer net revenues were \$45,005 and \$497,512, respectively.

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The future minimum payments of the Enterprise Fund long-term debt as of June 30, 2015 are as follows:

**Notes Payable:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 139,186	\$ 40,212	\$ 179,398
2017	139,943	37,474	177,417
2018	140,725	34,710	175,435
2019	141,533	31,920	173,453
2020	142,368	29,103	171,471
2021-2025	725,388	102,239	827,627
2026-2030	575,908	29,153	605,061
2031-2034	116,683	1,202	117,885
<b>Total</b>	<b>\$ 2,121,733</b>	<b>\$ 306,013</b>	<b>\$ 2,427,747</b>

**Revenue Bonds Payable:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 15,000	\$ 30,550	\$ 45,550
2017	15,000	30,063	45,063
2018	16,000	29,575	45,575
2019	16,000	29,055	45,055
2020	17,000	28,535	45,535
2021-2025	92,000	134,160	226,160
2026-2030	108,000	118,170	226,170
2031-2035	127,000	99,385	226,385
2036-2040	150,000	77,350	227,350
2041-2045	176,000	51,350	227,350
2046-2050	208,000	20,670	228,670
<b>Total</b>	<b>\$ 940,000</b>	<b>\$ 648,863</b>	<b>\$ 1,588,863</b>

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

A summary of changes in long-term debt obligations follows:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 1,479,696	\$ -	\$ (83,702)	\$ 1,395,994	\$ 86,478
Compensated absences	106,663	58,072	(63,428)	101,307	63,000
Net pension liability (LGERS)	223,454	-	(223,454)	-	-
Other post-employment benefits	46,819	16,947	(15,751)	48,015	-
Total governmental activities	<u>\$ 1,856,632</u>	<u>\$ 75,019</u>	<u>\$ (386,335)</u>	<u>\$ 1,545,316</u>	<u>\$ 149,478</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Revenue bonds	\$ 954,000	\$ -	\$ (14,000)	\$ 940,000	\$ 15,000
Installment purchases	1,634,069	646,000	(158,336)	2,121,733	139,186
Compensated absences	34,949	29,062	(26,284)	37,727	26,000
Net pension liability (LGERS)	103,080	-	(103,080)	-	-
Other post-employment benefits	55,360	7,818	-	63,178	-
Total	<u>2,781,458</u>	<u>682,880</u>	<u>(301,700)</u>	<u>3,162,638</u>	<u>180,186</u>
<b>Electric Fund:</b>					
Compensated absences	9,240	7,860	(10,903)	6,197	6,000
Net pension liability (LGERS)	67,627	-	(67,627)	-	-
Other post-employment benefits	32,467	5,129	-	37,596	-
Total	<u>109,334</u>	<u>12,989</u>	<u>(78,530)</u>	<u>43,793</u>	<u>6,000</u>
Total business-type activities	<u>\$ 2,890,792</u>	<u>\$ 695,869</u>	<u>\$ (380,230)</u>	<u>\$ 3,206,431</u>	<u>\$ 186,186</u>

Compensated absences and other post-employment benefits for governmental activities have typically been liquidated in the General Fund. At June 30, 2015, the Town had a legal debt margin of approximately \$18,300,000.

### 12. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 7,863,728	\$ 11,905,368
Less: Long-term debt	(1,395,994)	(3,061,733)
Plus: Unspent debt proceeds	-	241,363
Net investment in capital assets	<u>\$ 6,467,734</u>	<u>\$ 9,084,998</u>

**TOWN OF BENSON, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**13. Interfund Balances and Activity**

Transfers to/from other funds for the year ended June 30, 2015 consist of the following:

From the Electric Fund to the AMI Project Fund for operating purposes	\$ 425,000
From the General Fund to the Street Paving Project for operating purposes	<u>(157,040)</u>
Total	<u>\$ 267,960</u>

Interfund balances as of June 30, 2015 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Water and Sewer Fund	Electric Fund	<u>\$ 4,619</u>	Interfund loan

**14. Summary Disclosure of Significant Contingencies Federal and State Assisted Programs**

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

**15. Jointly Governed Organization**

The Town, in conjunction with other local governments, is a member of the North Carolina Eastern Municipalities Power Agency (Power Agency). The Power Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Power Agency's governing board. The members, who receive power from the Power Agency, have signed power sales agreements to purchase a specified share of the power generated by the Power Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power from the power agency for the fiscal year ended June 30, 2015 were \$3,856,221.

**16. Related Organization**

The six-member Board of the Town of Benson Housing Authority is appointed by the Mayor of the Town. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town is also disclosed as a related organization in the notes to the financial statements for the Town of Benson Housing Authority.

# TOWN OF BENSON, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 17. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$155,709 and \$118,953, respectively.

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## TOWN OF BENSON, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2009	\$ -	\$ 344,233	\$ 344,233	0.00%	\$ 1,851,300	18.60%
12/31/2012	-	281,212	281,212	0.00%	1,692,979	16.60%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 44,995	71.24%
2014	44,995	31.49%
2015	29,653	53.12%

## Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
<b>Actuarial Assumptions:</b>	
Investment rate of return*	4.00%
Medical cost trend rate	8.50%-5.00%
Year of ultimate trend rate	2018

\* Includes inflation at 3.00%

**TOWN OF BENSON, NORTH CAROLINA****TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\*****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.07666%	0.07590%
Proportion of the net pension liability (asset) (\$)	\$ (204,406)	\$ 394,161
Covered-employee payroll	\$ 1,676,702	\$ 1,697,774
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.19%	23.22%
Plan fiduciary net position as a percentage of the total pension liability**	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 BENSON, NORTH CAROLINA****TOWN OF BENSON'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 119,438	\$ 119,499
Contributions in relation to the contractually required contribution	<u>119,438</u>	<u>119,499</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,668,796	\$ 1,676,702
Contributions as a percentage of covered-employee payroll	7.16%	7.13%

**TOWN OF BENSON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 1,487,851	\$ 1,521,774	\$ 33,923	\$ 1,521,236
Penalties and interest	4,000	4,037	37	7,003
Total	<u>1,491,851</u>	<u>1,525,811</u>	<u>33,960</u>	<u>1,528,239</u>
<b>Other Taxes and Licenses:</b>				
Local option sales taxes	521,000	525,564	4,564	491,512
Utility franchise tax	361,528	358,445	(3,083)	319,779
Payments in lieu of taxes	75,943	71,701	(4,242)	75,932
Occupancy tax	9,300	8,654	(646)	8,206
Automobile decals	-	-	-	131
Privilege licenses	2,075	2,096	21	2,225
Disposal tax	2,219	2,219	-	1,879
Total	<u>972,065</u>	<u>968,679</u>	<u>(3,386)</u>	<u>899,664</u>
<b>Unrestricted Intergovernmental:</b>				
Wine and beer taxes	16,106	19,453	3,347	14,628
ABC profit distribution	18,825	18,825	-	15,060
Total	<u>34,931</u>	<u>38,278</u>	<u>3,347</u>	<u>29,688</u>
<b>Restricted Intergovernmental:</b>				
Law enforcement grants	11,250	11,250	-	24,900
Fire grants	41,563	28,378	(13,185)	94,036
Local grants	291,124	271,818	(19,306)	179,753
FEMA	853,631	853,631	-	-
Historic preservation	500	-	(500)	-
NC Department of Commerce grants	-	-	-	41,389
Powell Bill	104,540	104,540	-	103,873
Total	<u>1,302,608</u>	<u>1,269,617</u>	<u>(32,991)</u>	<u>443,951</u>

TOWN OF BENSON, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Permits and Fees:</b>				
Recreation fees	90,000	89,777	(223)	81,090
Library fees	15,308	15,308	-	21,517
Court costs	5,000	4,449	(551)	5,421
Building permits	51,200	53,266	2,066	23,069
Garbage fees	309,526	285,337	(24,189)	263,038
Cable franchise fees	18,000	14,601	(3,399)	19,190
Fire inspection fees	8,000	7,470	(530)	5,950
Total	<u>497,034</u>	<u>470,208</u>	<u>(26,826)</u>	<u>419,275</u>
<b>Investment Earnings</b>	<u>2,470</u>	<u>2,545</u>	<u>75</u>	<u>2,543</u>
<b>Miscellaneous</b>	<u>252,300</u>	<u>179,382</u>	<u>(72,918)</u>	<u>204,142</u>
Total revenues	<u>4,553,259</u>	<u>4,454,520</u>	<u>(98,739)</u>	<u>3,527,502</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and benefits	22,111	22,064	47	22,356
Operating expenses	<u>27,626</u>	<u>24,806</u>	<u>2,820</u>	<u>18,806</u>
Total	<u>49,737</u>	<u>46,870</u>	<u>2,867</u>	<u>41,162</u>
<b>Administration:</b>				
Salaries and benefits	71,566	73,138	(1,572)	149,751
Operating expenses	496,909	438,786	58,123	559,943
Capital outlay	<u>10,000</u>	<u>1,040</u>	<u>8,960</u>	<u>44,173</u>
Total	<u>578,475</u>	<u>512,964</u>	<u>65,511</u>	<u>753,867</u>
Total general government	<u>628,212</u>	<u>559,834</u>	<u>68,378</u>	<u>795,029</u>

**TOWN OF BENSON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Public Safety:</b>				
<b>Inspections, Zoning, and Safety:</b>				
Salaries and benefits	53,647	47,506	6,141	35,806
Operating expenses	29,430	10,951	18,479	16,949
Capital outlay	5,800	2,555	3,245	1,128
Total	88,877	61,012	27,865	53,883
<b>Police:</b>				
Salaries and benefits	706,711	695,308	11,403	686,496
Operating expenses	149,477	104,596	44,881	94,475
Capital outlay	64,985	69,319	(4,334)	23,885
Total	921,173	869,223	51,950	804,856
<b>Fire:</b>				
Salaries and benefits	148,357	137,178	11,179	144,942
Operating expenses	153,952	134,047	19,905	133,224
Capital outlay	997,686	994,575	3,111	504,365
Volunteer firemen	50,000	49,228	772	46,600
Total	1,349,995	1,315,028	34,967	829,131
Total public safety	2,360,045	2,245,263	114,782	1,687,870
<b>Public Works:</b>				
<b>Municipal Buildings:</b>				
Salaries and benefits	18,690	17,501	1,189	29,299
Operating expenses	94,075	72,597	21,478	72,969
Capital outlay	103,500	2,794	100,706	6,154
Total	216,265	92,892	123,373	108,422
<b>Central Maintenance:</b>				
Utilities	9,000	7,325	1,675	8,327
Building maintenance	11,000	1,281	9,719	528
Operating expenses	14,000	10,140	3,860	10,825
Total	34,000	18,746	15,254	19,680

**TOWN OF BENSON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Municipal Grounds:</b>				
Operating expenses	49,000	24,438	24,562	7,398
Total	49,000	24,438	24,562	7,398
Total public works	299,265	136,076	163,189	135,500
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and benefits	76,158	69,606	6,552	84,327
Operating expenses	107,840	104,739	3,101	91,375
Capital outlay	1,100	1,039	61	1,034
Total	185,098	175,384	9,714	176,736
<b>Street Lights:</b>				
Utilities	76,000	70,266	5,734	66,100
Total transportation	261,098	245,650	15,448	242,836
<b>Sanitation:</b>				
Contracted services	295,500	285,834	9,666	248,134
Tipping fees	16,000	14,548	1,452	10,594
Total	311,500	300,382	11,118	258,728
<b>Cultural and Recreation:</b>				
<b>Library:</b>				
Salaries and benefits	71,862	66,868	4,994	66,851
Operating expenses	48,146	37,418	10,728	27,506
Capital outlay	2,500	1,782	718	1,911
Total	122,508	106,068	16,440	96,268

TOWN OF BENSON, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Museum:</b>				
Salaries and benefits	35,305	32,746	2,559	29,992
Operating expenses	36,227	28,647	7,580	16,345
Capital outlay	32,500	29,715	2,785	15,343
Total	<u>104,032</u>	<u>91,108</u>	<u>12,924</u>	<u>61,680</u>
<b>Parks and Recreation:</b>				
Salaries and benefits	255,743	253,835	1,908	253,260
Operating expenses	174,527	173,470	1,057	194,732
Capital outlay	20,000	20,000	-	12,174
Total	<u>450,270</u>	<u>447,305</u>	<u>2,965</u>	<u>460,166</u>
<b>Cemetery:</b>				
Operating expenses	6,500	6,500	-	25,258
Total	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>25,258</u>
Total cultural and recreation	<u>683,310</u>	<u>650,981</u>	<u>32,329</u>	<u>643,372</u>
<b>Debt Service:</b>				
Debt service - principal	55,304	83,702	(28,398)	52,282
Debt service - interest	83,702	55,302	28,400	50,245
Total	<u>139,006</u>	<u>139,004</u>	<u>2</u>	<u>102,527</u>
Total expenditures	<u>4,682,436</u>	<u>4,277,190</u>	<u>405,246</u>	<u>3,865,862</u>
Revenues over (under) expenditures	<u>(129,177)</u>	<u>177,330</u>	<u>306,507</u>	<u>(338,360)</u>

TOWN OF BENSON, NORTH CAROLINA

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(166,139)	(157,040)	9,099	(106,519)
Issuance of long-term debt	-	-	-	325,000
Appropriated fund balance	295,316	-	(295,316)	-
Total	<u>129,177</u>	<u>(157,040)</u>	<u>(286,217)</u>	<u>218,481</u>
Net change in fund balance	<u>\$ -</u>	20,290	<u>\$ 20,290</u>	(119,879)
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,852,024</u>		<u>1,971,903</u>
End of year - June 30		<u>\$ 1,872,314</u>		<u>\$ 1,852,024</u>

## TOWN OF BENSON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Nonmajor Special Revenue Fund</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 251,496	\$ 251,496
Cash and cash equivalents, restricted	25,916	-	25,916
Total assets	<u>\$ 25,916</u>	<u>\$ 251,496</u>	<u>\$ 277,412</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 18,847	\$ 18,847
Total liabilities	<u>-</u>	<u>18,847</u>	<u>18,847</u>
<b>Fund Balances:</b>			
Restricted:			
Restricted, other	25,916	10,000	35,916
Committed, other	-	222,649	222,649
Total fund balances	<u>25,916</u>	<u>232,649</u>	<u>258,565</u>
Total liabilities and fund balances	<u>\$ 25,916</u>	<u>\$ 251,496</u>	<u>\$ 277,412</u>

## TOWN OF BENSON, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Nonmajor Special Revenue Fund</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ -	\$ 10,000	\$ 10,000
Interest income	-	37	37
Miscellaneous	-	20,000	20,000
Total revenues	<u>-</u>	<u>30,037</u>	<u>30,037</u>
<b>Expenditures:</b>			
Transportation	-	222,960	222,960
Total expenditures	<u>-</u>	<u>222,960</u>	<u>222,960</u>
Revenues over (under) expenditures	<u>-</u>	<u>(192,923)</u>	<u>(192,923)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	157,040	157,040
Total other financing sources (uses)	<u>-</u>	<u>157,040</u>	<u>157,040</u>
Net change in fund balances	-	(35,883)	(35,883)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>25,916</u>	<u>268,532</u>	<u>294,448</u>
End of year - June 30	<u>\$ 25,916</u>	<u>\$ 232,649</u>	<u>\$ 258,565</u>

## TOWN OF BENSON, NORTH CAROLINA

**SPECIAL REVENUE FUND - USDA GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
<b>Revenues:</b>				
<b>Restricted Intergovernmental:</b>				
US Department of Agriculture	\$ 60,000	\$ 25,000	\$ -	\$ 25,000
Loan repayment	-	25,916	-	25,916
Total revenues	60,000	50,916	-	50,916
<b>Expenditures:</b>				
Economic development loans	60,000	25,000	-	25,000
Total expenditures	60,000	25,000	-	25,000
Revenues over (under) expenditures	-	25,916	-	25,916
Net change in fund balance	\$ -	\$ 25,916	\$ -	\$ 25,916

## TOWN OF BENSON, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2015

	<u>Street Paving Project</u>	<u>Bulletproof Vest Program</u>	<u>Auditorium Restroom Improvement Project</u>	<u>Capital Reserve</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 27,927	\$ 2,443	\$ 10,000	\$ 211,126	\$ 251,496
Total assets	<u>\$ 27,927</u>	<u>\$ 2,443</u>	<u>\$ 10,000</u>	<u>\$ 211,126</u>	<u>\$ 251,496</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 18,847	\$ -	\$ -	\$ -	\$ 18,847
Total liabilities	<u>18,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,847</u>
<b>Fund Balances:</b>					
Restricted:					
Restricted, other	-	-	10,000	-	10,000
Committed, other	<u>9,080</u>	<u>2,443</u>	<u>-</u>	<u>211,126</u>	<u>222,649</u>
Total fund balances	<u>9,080</u>	<u>2,443</u>	<u>10,000</u>	<u>211,126</u>	<u>232,649</u>
Total liabilities and fund balances	<u>\$ 27,927</u>	<u>\$ 2,443</u>	<u>\$ 10,000</u>	<u>\$ 211,126</u>	<u>\$ 251,496</u>

## TOWN OF BENSON, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Street Paving Project</u>	<u>Bulletproof Vest Program</u>	<u>Auditorium Restroom Improvement Project</u>	<u>Capital Reserve</u>	<u>Total</u>
<b>Revenues:</b>					
Restricted intergovernmental	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
Interest income	-	-	-	37	37
Miscellaneous	-	-	-	20,000	20,000
Total revenues	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>20,037</u>	<u>30,037</u>
<b>Expenditures:</b>					
Transportation	<u>222,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,960</u>
Total expenditures	<u>222,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,960</u>
Revenues over (under) expenditures	<u>(222,960)</u>	<u>-</u>	<u>10,000</u>	<u>20,037</u>	<u>(192,923)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	<u>157,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,040</u>
Total other financing sources (uses)	<u>157,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,040</u>
Net change in fund balances	(65,920)	-	10,000	20,037	(35,883)
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>75,000</u>	<u>2,443</u>	<u>-</u>	<u>191,089</u>	<u>268,532</u>
End of year - June 30	<u>\$ 9,080</u>	<u>\$ 2,443</u>	<u>\$ 10,000</u>	<u>\$ 211,126</u>	<u>\$ 232,649</u>

## TOWN OF BENSON, NORTH CAROLINA

**STREET PAVING PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total To Date</b>
<b>Expenditures:</b>				
Paving	\$ 227,500	\$ -	\$ 222,960	\$ 222,960
Total expenditures	<u>227,500</u>	<u>-</u>	<u>222,960</u>	<u>222,960</u>
Revenues over (under) expenditures	<u>(227,500)</u>	<u>-</u>	<u>(222,960)</u>	<u>(222,960)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	227,500	75,000	157,040	232,040
Total other financing sources (uses)	<u>227,500</u>	<u>75,000</u>	<u>157,040</u>	<u>232,040</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ (65,920)</u>	<u>\$ 9,080</u>

## TOWN OF BENSON, NORTH CAROLINA

**BULLETPROOF VEST PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
<b>Restricted Intergovernmental:</b>				
US Department of Justice	\$ 4,211	\$ 3,830	\$ -	\$ 3,830
Total revenues	<u>4,211</u>	<u>3,830</u>	<u>-</u>	<u>3,830</u>
<b>Expenditures:</b>				
Bulletproof vest purchase	<u>10,000</u>	<u>7,176</u>	<u>-</u>	<u>7,176</u>
Total expenditures	<u>10,000</u>	<u>7,176</u>	<u>-</u>	<u>7,176</u>
Revenues over (under) expenditures	<u>(5,789)</u>	<u>(3,346)</u>	<u>-</u>	<u>(3,346)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>5,789</u>	<u>5,789</u>	<u>-</u>	<u>5,789</u>
Total other financing sources (uses)	<u>5,789</u>	<u>5,789</u>	<u>-</u>	<u>5,789</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,443</u>	<u>\$ -</u>	<u>\$ 2,443</u>

## TOWN OF BENSON, NORTH CAROLINA

**AUDITORIUM RESTROOM IMPROVEMENT PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>Revenues:</b>				
Johnston County Visitor's Bureau Grant	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Benson Foundation for the Arts Donation	65,000	-	-	-
Total revenues	<u>75,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>Expenditures:</b>				
W.J. Barefoot Auditorium Restroom Improvement	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

## TOWN OF BENSON, NORTH CAROLINA

**CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FROM JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 37	\$ 37	\$ 25
Miscellaneous	-	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>
Total revenues	-	<u>20,037</u>	<u>20,037</u>	<u>10,025</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from (to) other funds	-	-	-	<u>10,831</u>
Total	-	-	-	<u>10,831</u>
Net change in fund balance	<u>\$ -</u>	<u>20,037</u>	<u>\$ 20,037</u>	20,856
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>191,089</u>		<u>170,233</u>
End of year - June 30		<u>\$ 211,126</u>		<u>\$ 191,089</u>

**TOWN OF BENSON, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 1,245,215	\$ 1,154,694	\$ (90,521)
Sewer charges	1,437,116	1,380,374	(56,742)
Water and sewer taps	4,000	-	(4,000)
Other operating revenues	20,630	20,156	(474)
Total	<u>2,706,961</u>	<u>2,555,224</u>	<u>(151,737)</u>
Non-operating revenues:			
Interest earnings	65	939	874
Total non-operating revenues	<u>65</u>	<u>939</u>	<u>874</u>
Total revenues	<u>2,707,026</u>	<u>2,556,163</u>	<u>(150,863)</u>
<b>Expenditures:</b>			
General operations:			
Salaries and employee benefits	365,988	367,904	(1,916)
Operating expenditures	251,405	221,323	30,082
Maintenance and repairs	43,000	26,725	16,275
Capital outlay	276,750	197,336	79,414
Total	<u>937,143</u>	<u>813,288</u>	<u>123,855</u>
<b>Water Distribution:</b>			
Salaries and employee benefits	29,000	17,582	11,418
Supplies	44,450	26,189	18,261
Maintenance and repairs	6,500	1,112	5,388
Capital outlay	18,000	994	17,006
Water purchases	593,000	581,827	11,173
Total	<u>690,950</u>	<u>627,704</u>	<u>63,246</u>
<b>Waste Water Collection:</b>			
Salaries and employee benefits	359,069	340,843	18,226
Supplies	293,225	222,794	70,431
Maintenance and repairs	55,450	33,271	22,179
Other operating expenditures	54,067	37,743	16,324
Total	<u>761,811</u>	<u>634,651</u>	<u>127,160</u>

**TOWN OF BENSON, NORTH CAROLINA**

**WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Principal retirement	241,369	172,336	69,033
Interest and other charges	64,786	64,786	-
Total debt service	<u>306,155</u>	<u>237,122</u>	<u>69,033</u>
Total expenditures	<u>2,696,059</u>	<u>2,312,765</u>	<u>383,294</u>
Revenues over (under) expenditures	<u>10,967</u>	<u>243,398</u>	<u>232,431</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to Water and Sewer Capital Projects Fund	(120,000)	(120,000)	-
Appropriated fund balance	109,033	-	(109,033)
Total other financing sources (uses)	<u>(10,967)</u>	<u>(120,000)</u>	<u>(109,033)</u>
Revenues and other financing sources over (under) expenditures and other financing sources	<u>\$ -</u>	<u>123,398</u>	<u>\$ 123,398</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Principal retirement		172,336	
Capital project revenues		914,583	
Capital project expenditures		(2,229,247)	
Capital project expenditures, capitalized		1,348,297	
Transfers to Capital Projects Fund		120,000	
Transfer from Electric Fund to AMI Project Fund		425,000	
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		31,235	
Pension expense		(3,682)	
Change in accrued interest		(12,830)	
Change in accrued vacation		(2,778)	
Change in other post-employment benefits		(7,818)	
Depreciation		<u>(292,889)</u>	
Change in net position		<u>\$ 585,605</u>	

## TOWN OF BENSON, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND  
 WATER SYSTEM IMPROVEMENTS CAPITAL PROJECT (FUND 52)  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
<b>Revenues:</b>				
NC Rural Center Grant	\$ 500,000	\$ 54,670	\$ 395,330	\$ 450,000
CDBG Grant (10-C-2219)	600,000	600,000	-	600,000
Johnston County	52,000	52,000	-	52,000
Total revenues	<u>1,152,000</u>	<u>706,670</u>	<u>395,330</u>	<u>1,102,000</u>
<b>Expenditures:</b>				
Public water improvements - CDBG	550,500	550,500	-	550,500
Administration - CDBG	49,500	49,500	-	49,500
Construction - Non-CDBG	781,478	323,150	547,287	870,437
Administration - rural center funds	8,000	7,268	400	7,668
Contingency - Town of Benson/ Johnston County	60,532	-	-	-
Basic engineering design - Town of Benson/ Johnston County	5,494	5,494	-	5,494
Construction observation - Town of Benson/ Johnston County	13,347	13,152	1,771	14,923
Land purchase/survey - Town of Benson/ Johnston County	11,722	7,091	-	7,091
SRF administration and fees	27,320	11,555	9,131	20,686
Total expenditures	<u>1,507,893</u>	<u>967,710</u>	<u>558,589</u>	<u>1,526,299</u>
Revenues over (under) expenditures	<u>(355,893)</u>	<u>(261,040)</u>	<u>(163,259)</u>	<u>(424,299)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	216,000	-	216,000	216,000
Transfer in	139,893	139,893	-	139,893
Total other financing sources (uses)	<u>355,893</u>	<u>139,893</u>	<u>216,000</u>	<u>355,893</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (121,147)</u>	<u>\$ 52,741</u>	<u>\$ (68,406)</u>

## TOWN OF BENSON, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND  
 COMMUNITY DEVELOPMENT PROGRAM INFRASTRUCTURE (FUND 40)  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental:				
CDBG grant (11-C-2348)	\$ 750,000	\$ 66,421	\$ 519,218	\$ 585,639
Interest revenue	-	-	35	35
Total revenues	<u>750,000</u>	<u>66,421</u>	<u>519,253</u>	<u>585,674</u>
<b>Expenditures:</b>				
Public water improvements	1,105,000	3,025	698,138	701,163
Administration	75,000	63,396	9,752	73,148
Total expenditures	<u>1,180,000</u>	<u>66,421</u>	<u>707,890</u>	<u>774,311</u>
Revenues over (under) expenditures	<u>(430,000)</u>	<u>-</u>	<u>(188,637)</u>	<u>(188,637)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	<u>430,000</u>	<u>-</u>	<u>430,000</u>	<u>430,000</u>
Total other financing sources (uses)	<u>430,000</u>	<u>-</u>	<u>430,000</u>	<u>430,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,363</u>	<u>\$ 241,363</u>

## TOWN OF BENSON, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND  
AMI PROJECT FUNDSCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>Expenditures:</b>				
Public Water Improvements	\$ 671,000	\$ -	\$ 515,466	\$ 515,466
Electric Utility Improvements	<u>425,000</u>	<u>-</u>	<u>447,302</u>	<u>447,302</u>
Total expenditures	<u>1,096,000</u>	<u>-</u>	<u>962,768</u>	<u>962,768</u>
Revenues over (under) expenditures	<u>(1,096,000)</u>	<u>-</u>	<u>(962,768)</u>	<u>(962,768)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Water and Sewer Fund	120,000	-	120,000	120,000
Transfer from Electric Fund	425,000	-	425,000	425,000
NCDENR/DWSRF Loan	<u>551,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,096,000</u>	<u>-</u>	<u>545,000</u>	<u>545,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (417,768)</u>	<u>\$ (417,768)</u>

## TOWN OF BENSON, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Electric sales	\$ 4,869,983	\$ 5,026,638	\$ 156,655
Cut out/late charges	64,000	61,344	(2,656)
Other operating revenues	<u>93,752</u>	<u>42,883</u>	<u>(50,869)</u>
Total operating revenues	<u>5,027,735</u>	<u>5,130,865</u>	<u>103,130</u>
Non-operating revenues:			
Interest earnings	<u>1,000</u>	<u>834</u>	<u>(166)</u>
Total non-operating revenues	<u>1,000</u>	<u>834</u>	<u>(166)</u>
Total revenues	<u>5,028,735</u>	<u>5,131,699</u>	<u>102,964</u>
<b>Expenditures:</b>			
Power purchased	3,791,548	3,856,221	(64,673)
Salaries and employee benefits	438,550	423,759	14,791
Operating expenditures	560,945	552,722	8,223
Equipment and line improvements	<u>173,750</u>	<u>98,567</u>	<u>75,183</u>
Total expenditures	<u>4,964,793</u>	<u>4,931,269</u>	<u>33,524</u>
Revenues over (under) expenditures	<u>63,942</u>	<u>200,430</u>	<u>136,488</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(452,500)	(425,000)	27,500
Appropriated fund balance	<u>388,558</u>	<u>-</u>	<u>(388,558)</u>
Total other financing sources (uses)	<u>(63,942)</u>	<u>(425,000)</u>	<u>(361,058)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(224,570)</u>	<u>\$ (224,570)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(54,394)	
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		20,492	
Pension expense		(2,416)	
Change in accrued vacation		3,043	
Change in other post-employment benefits		<u>(5,129)</u>	
Change in net position		<u>\$ (262,974)</u>	

## TOWN OF BENSON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2015

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2015	\$ -	\$ 1,507,048	\$ 1,506,148	\$ 901
2014	19,581	-	17,725	1,856
2013	12,197	-	10,385	1,812
2012	1,724	-	178	1,546
2011	3,197	-	676	2,521
2010	2,224	-	96	2,128
2009	1,008	-	33	975
2008	97	-	-	97
2007	137	-	-	137
2006	86	-	-	86
2005	4,492	-	4,492	-
Total	<u>\$ 44,743</u>	<u>\$ 1,507,048</u>	<u>\$ 1,539,733</u>	12,059
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(2,740)</u>
Ad valorem taxes receivable, net				<u>\$ 9,319</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				<u>\$ 1,525,811</u>
Reconciling items:				
Penalties and interest collected				(4,037)
Miscellaneous adjustments				13,467
Amounts written off for tax years per statute of limitations				<u>4,492</u>
Total reconciling items				<u>13,922</u>
Total collections and credit				<u>\$ 1,539,733</u>

## TOWN OF BENSON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 286,795,472	\$ 0.53	\$ 1,520,016	\$ 1,407,985	\$ 112,031
Discoveries	189,434	0.53	1,004	914	90
Discoveries prior years	174,340		924	924	-
Penalties	-		1,163	-	1,163
Releases	(3,030,000)		(16,059)	(15,469)	(590)
Total property valuation	<u>\$ 284,129,245</u>				
<b>Net Levy</b>			1,507,048	1,394,354	112,694
Uncollected taxes at June 30, 2015			<u>901</u>	<u>901</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,506,148</u>	<u>\$ 1,393,453</u>	<u>\$ 112,694</u>
<b>Current Levy Collection Percentage</b>			<u>99.94%</u>	<u>99.94%</u>	<u>100.00%</u>
<b>Prior Year Collection Percentage</b>			<u>98.73%</u>	<u>99.18%</u>	<u>94.34%</u>

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Benson's basic financial statements and have issued our report thereon dated October 26, 2015.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part from obtaining reasonable assurance about whether the Town of Benson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003.

## **Town of Benson's Responses to Findings**

The Town of Benson's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

## **Purpose of This Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 26, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

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

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

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Benson, North Carolina's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Benson's major federal programs for the year ended June 30, 2015. The Town of Benson's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of the Town of Benson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Benson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Benson's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Benson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 26, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

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

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

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

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

We have audited the Town of Benson, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Benson's major state programs for the year ended June 30, 2015. The Town of Benson's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of the Town of Benson's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Benson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Benson's compliance.

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

In our opinion, the Town of Benson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

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

Management of the Town of Benson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Benson's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 26, 2015

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii	14.228
Assistance to Firefighters Grant	97.044
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results (continued)**

**State Awards**

Internal control over major State programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

**Program Name**

Clean Water Partners' Infrastructure Program

# TOWN OF BENSON, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 2. Findings Related to the Audit of the Basic Financial Statements

#### Finding 2015-001

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GAAP) requires a level of technical expertise not possessed by the Town's personnel with regard to drafting full accrual, full disclosure GAAP financial statements.

**Effect:** Material misstatements of the financial statements could result.

**Cause:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GAAP) requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure GAAP financial statements.

**Context:** During our planning procedures, we noted that the Town's personnel do not possess the technical expertise required to comply with financial reporting requirements discussed above.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Matthew Zapp, Town Manager

**Corrective Action/Management Response:** Management is aware of the weakness but, due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor. The Town acknowledges and accepts responsibility for the accuracy of the audited financial statements.

## TOWN OF BENSON, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

#### 2. Findings Related to the Audit of the Basic Financial Statements (continued)

##### **Finding 2015-002**

**Criteria:** North Carolina General Statutes preclude units from having investments in preferred stock.

**Condition:** In the current year, the Town had investments in preferred stock for the J.L. George Endowment Beautification Grant Trust Fund, the Town's only Fiduciary Fund, which is a violation of General Statutes.

**Effect:** The Town was in violation of North Carolina General Statutes.

**Cause:** The Town had investments in preferred stock for the J.L. George Endowment Beautification Grant Trust Fund.

**Context:** During our audit procedures, we noted that the Town had investments in preferred stock.

**Recommendation:** The Town should convert its shares of preferred stock into securities that are in compliance with North Carolina General Statutes.

**Name of Contact Person:** Matthew Zapp, Town Manager

**Corrective Action/Management Response:** The Town will consider converting its shares of preferred stock into securities that are in compliance with State statutes.

## TOWN OF BENSON, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

#### 2. Findings Related to the Audit of the Basic Financial Statements (continued)

##### **Finding 2015-003**

**Criteria:** Per North Carolina General Statute [159-29], the Finance Director is required to be bonded individually under a surety bond for at least \$50,000.

**Condition:** In the current year, there was a violation of the N.C. General Statute with regards to the Town's Finance Director not being bonded accordingly.

**Effect:** The Town's Finance Director was not bonded according to State Statute.

**Cause:** The Town was not aware that a separate bond was needed for the Finance Director of the Town.

**Context:** During the current fiscal year, we noted that the Finance Director of the Town was not individually bonded.

**Recommendation:** The Town's Finance Director should be bonded according to State Statute.

**Name of Contact Person:** Matthew Zapp, Town Manager

**Corrective Action/Management Response:** The Town will add a \$50,000 Finance Director bond subsequent to fiscal year end.

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**3. Federal Award Findings and Questioned Costs**

None reported

**4. State Award Findings and Questioned Costs**

None reported

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001 was repeated as 2015-001.

Finding 2014-002 was repeated as 2015-002.

Finding 2014-003 was corrected.

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>
<b>Federal Programs:</b>				
<b>U.S. Department of Homeland Security</b>				
Direct Program:				
Assistance to Firefighters Grant	97.044		\$ 853,631	\$ -
Staffing for Adequate Fire and Emergency Response	97.083		<u>28,378</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>882,009</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>				
Passed-through N.C. Department of Environmental and Natural Resources Division of Water Infrastructure:				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1701	417,768	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1756	<u>96,635</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>514,403</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Passed-through N.C. Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738		<u>11,250</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant/ State's Program and Non-Entitlement Grant in Hawaii	14.228	11-C-2348	<u>519,219</u>	<u>-</u>
Total Federal awards			<u>1,926,881</u>	<u>-</u>
<b>State Programs:</b>				
N.C. Rural Economic Development Center:				
Clean Water Partners' Infrastructure Program		2012-095-40101-112	-	395,330
N.C. Department of Transportation:				
Powell Bill		DOT-4	-	179,557
Total State awards			<u>-</u>	<u>574,887</u>
Total Federal and State awards			<u>\$ 1,926,881</u>	<u>\$ 574,887</u>

**TOWN OF BENSON, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
-------------------------------------------------------	------------------------------------	---------------------------------------------------------	---------------------------------	-------------------------------

**Note 1 - Basis of Presentation**

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

**Note 2 - Loans Outstanding**

The Town of Benson had the following loan balance outstanding at June 30, 2015. These loan balances are also in the federal and State expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>		<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WIF-1756	\$ 205,200

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