

**TOWN OF BENSON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For The Year Ended June 30, 2016

Governing Board

William W. Massengill, Jr., Mayor
Frederick D. Nelson, Jr.
Will T. Chandler
Dean McLamb
Jerry M. Medlin
Dr. R. Max Raynor, Jr.
Cassandra P. Stack

Town Officials

Matthew Zapp, Town Manager
Connie M. Sorrell, Town Clerk
Kimberly Pickett, Finance Director

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FINANCIAL SECTION



Rives & Associates, LLP
Certified Public Accountants

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American Institute of
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Independent Auditors' Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Benson
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, 2016, 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.

Auditors' 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions on page 56, respectively and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 57 and 58, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Benson, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2016 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Benson's internal control over financial reporting and compliance.

Rivers & Associates LLP

Raleigh, North Carolina
October 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

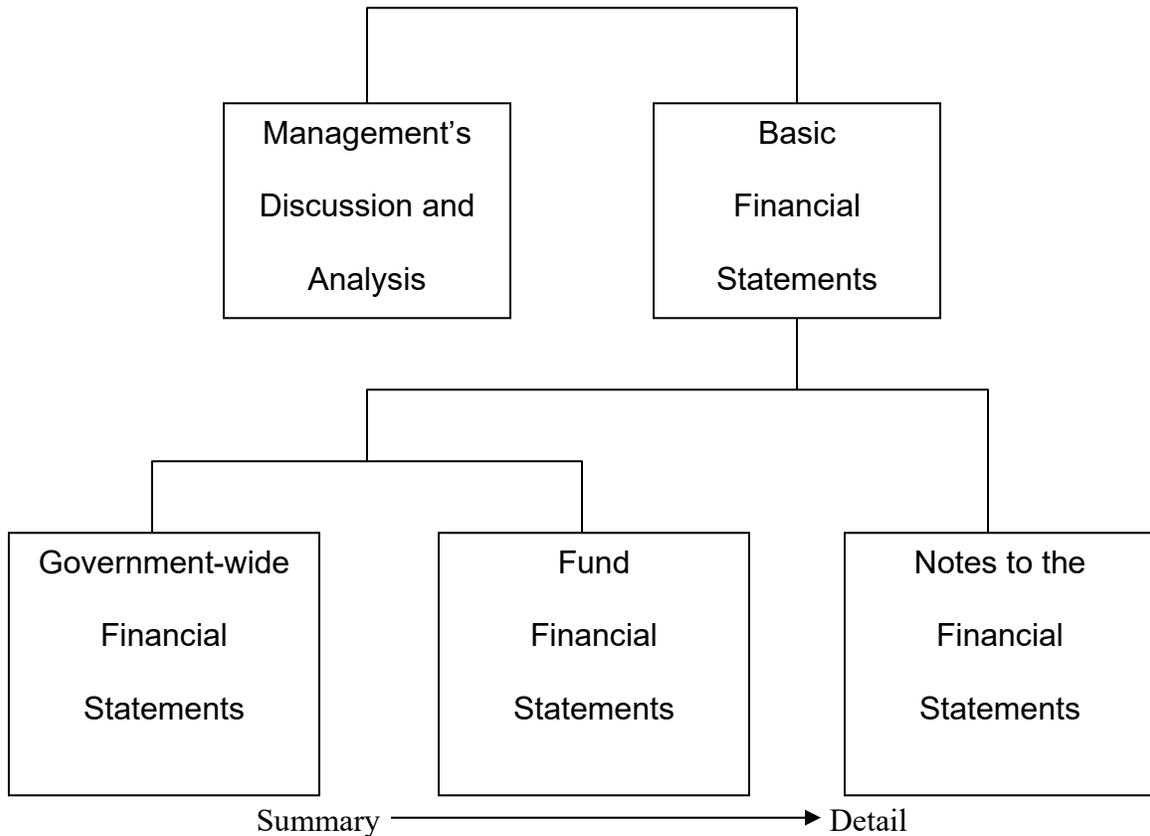
- The assets and deferred outflows of resources of the Town of Benson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,799,247 (*net position*).
- The government's total net position increased by \$408,991. This comprised of an increase in the net position from the Electric Fund of \$197,393 and an increase in the Water and Sewer Fund of \$342,340. The governmental activities' net position decreased by \$130,742.
- As of the close of the current fiscal year, the Town of Benson's governmental funds reported combined ending fund balances of \$1,994,828 with a net decrease of \$136,051 in fund balance. Approximately 23% of this total amount, or \$468,945, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,180,780, or 31% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of 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 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 10) 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 North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town’s basic services such as public safety, parks 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. These include the water and sewer and electric services offered by the Town of Benson. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town’s most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or

Management Discussion and Analysis
Town of Benson

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 – Town of Benson has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Benson uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions 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. Town of Benson has one fiduciary fund, which is an agency 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 10 of this report.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 2,103,242	\$ 2,392,235	\$ 2,838,526	\$ 2,255,810	\$ 4,941,768	\$ 4,648,045
Capital assets, net	<u>7,783,548</u>	<u>7,863,728</u>	<u>12,002,764</u>	<u>11,905,368</u>	<u>19,786,312</u>	<u>19,769,096</u>
Total assets	<u>9,886,790</u>	<u>10,255,963</u>	<u>14,841,290</u>	<u>14,161,178</u>	<u>24,728,080</u>	<u>24,417,141</u>
Deferred Outflows of Resources						
	<u>68,965</u>	<u>70,750</u>	<u>52,456</u>	<u>53,910</u>	<u>121,421</u>	<u>124,660</u>
Liabilities:						
Long-term liabilities outstanding	1,335,564	1,395,838	3,293,590	3,020,245	4,629,154	4,416,083
Other liabilities	<u>313,361</u>	<u>287,026</u>	<u>1,002,331</u>	<u>992,172</u>	<u>1,315,692</u>	<u>1,279,198</u>
Total liabilities	<u>1,648,925</u>	<u>1,682,864</u>	<u>4,295,921</u>	<u>4,012,417</u>	<u>5,944,846</u>	<u>5,695,281</u>
Deferred Inflows of Resources						
	<u>76,393</u>	<u>282,490</u>	<u>29,015</u>	<u>215,760</u>	<u>105,408</u>	<u>498,250</u>
Net Position:						
Net investment in capital assets	6,474,651	6,467,734	8,688,821	9,084,998	15,163,472	15,552,732
Restricted	472,811	498,805	-	-	472,811	498,805
Unrestricted	<u>1,282,975</u>	<u>1,394,640</u>	<u>1,879,989</u>	<u>901,913</u>	<u>3,162,964</u>	<u>2,296,553</u>
Total net Position	<u>8,230,437</u>	<u>8,361,179</u>	<u>10,568,810</u>	<u>9,986,911</u>	<u>18,799,247</u>	<u>18,348,090</u>

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 \$18,799,247 as of June 30, 2016. The Town's net position increased by \$408,991 for the fiscal year ended June 30, 2016. However, the largest portion (80%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, 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 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, \$472,811 (approximately 2.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,162,964 is unrestricted.

Management Discussion and Analysis
Town of Benson

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

Net position increased by \$408,991 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 Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 704,043	\$ 677,329	\$ 7,336,924	\$ 7,686,089	\$ 8,040,967	\$ 8,363,418
Operating grants and contributions	16,315	41,789	-	-	16,315	41,789
Capital grants and contributions	356,897	1,268,367	199,361	914,583	556,258	2,182,950
General Revenues:						
Property taxes	1,554,039	1,509,452	-	-	1,554,039	1,509,452
Other taxes	1,015,168	968,679	-	-	1,015,168	968,679
Investment earnings, unrestricted	<u>2,587</u>	<u>2,582</u>	<u>1,765</u>	<u>1,773</u>	<u>4,352</u>	<u>4,355</u>
Total revenues	<u>3,649,049</u>	<u>4,468,198</u>	<u>7,538,050</u>	<u>8,602,445</u>	<u>11,187,099</u>	<u>13,070,643</u>
Expenses:						
General government	1,038,374	707,985	-	-	1,038,374	707,985
Public safety	1,364,010	2,284,646	-	-	1,364,010	2,284,646
Public works	312,451	113,251	-	-	312,451	113,251
Transportation	372,171	465,410	-	-	372,171	465,410
Sanitation	-	299,948	-	-	-	299,948
Culture and recreation	640,878	691,944	-	-	640,878	691,944
Water and sewer	-	-	2,642,883	3,310,141	2,642,883	3,310,141
Electric	-	-	4,355,434	4,969,673	4,355,434	4,969,673
Interest and other charges	<u>51,907</u>	<u>55,140</u>	<u>-</u>	<u>-</u>	<u>51,907</u>	<u>55,140</u>
Total expenses	<u>3,779,791</u>	<u>4,618,324</u>	<u>6,998,317</u>	<u>8,279,814</u>	<u>10,778,108</u>	<u>12,898,138</u>
Increase (decrease) in net position	<u>(130,742)</u>	<u>(150,126)</u>	<u>539,733</u>	<u>322,631</u>	<u>408,991</u>	<u>172,505</u>
Net Position:						
Beginning of year, as previously stated –						
July 1	8,361,179	8,667,014	9,986,911	9,783,233	18,348,090	18,450,247
Restatement	<u>-</u>	<u>(155,709)</u>	<u>42,166</u>	<u>(118,953)</u>	<u>42,166</u>	<u>(274,662)</u>
Beginning of year –						
July 1	<u>8,361,179</u>	<u>8,511,305</u>	<u>10,029,077</u>	<u>9,664,280</u>	<u>18,390,256</u>	<u>18,175,585</u>
End of year - June 30	<u>8,230,437</u>	<u>8,361,179</u>	<u>10,568,810</u>	<u>9,986,911</u>	<u>18,799,247</u>	<u>18,348,090</u>

Governmental activities. Governmental activities resulted in a decrease in the Town's net position by \$130,742. Key elements of the decrease are as follows:

- Increase in expenses for public works, public safety and transportation
- Increase in expenses of land

Business-type activities. Business-type activities increased the Town of Benson's net position by \$539,733.

Key elements of this increase are as follows:

- Increase in capital contribution in the Water and Sewer Fund
- Increase in operation charges in Electric Fund
- Decrease in expenditures in operations of Water and Sewer 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, Town of Benson's fund balance available in the General Fund was \$1,258,496, while total fund balance reached \$1,623,809. 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% of total General Fund expenditures and transfers out, while total fund balance represents 43% of that same amount.

At June 30, 2016, the governmental funds of Town of Benson reported a combined fund balance of \$1,994,828, approximately a 0.06% 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 \$300,270. Amendments were necessary due to the receipt of local option sales taxes, 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 amounted to \$1,203,951, and for the Electric Fund, \$694,444. The total change in net position for the Water and Sewer and the Electric Funds was \$539,733. The increase in the Water and Sewer fund was from the proceeds of a capital project loan and an increase in sales of water and sewer from a large industrial customer. The increase in the Electric fund was from a decrease in the wholesale power bill.

Capital Asset and Debt Administration

Capital assets. The Town of Benson’s investment in capital assets for its governmental and business–type activities as of June 30, 2016, totals \$19,786,312 net of accumulated depreciation. These assets include land, improvements, equipment, vehicles, infrastructure, plants and distribution systems.

Major capital asset transactions during the year include the following:

- Purchase of land parcel in the amount of \$175,775
- Repair of Town Hall Roof in the amount of \$32,600
- Purchase of new police cruiser in the amount of \$23,779

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 670,791	\$ 495,016	\$ 28,870	\$ 28,870	\$ 699,661	\$ 523,886
Buildings and improvements	6,275,750	6,432,366	5,340,203	5,489,027	11,615,953	11,921,393
Infrastructure	78,109	82,765	-	-	78,109	82,765
Furniture, equipment, and machinery	593,393	667,499	201,709	245,364	795,102	912,863
Vehicles	165,505	186,082	69,794	47,758	235,299	233,840
Plant and distribution systems	-	-	3,676,416	3,793,739	3,676,416	3,793,739
Construction in progress	-	-	<u>2,685,772</u>	<u>2,300,610</u>	<u>2,685,772</u>	<u>2,300,610</u>
Total	<u>7,783,548</u>	<u>7,863,728</u>	<u>12,002,764</u>	<u>11,905,368</u>	<u>19,786,312</u>	<u>19,769,096</u>

Additional information on the Town’s capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Debt Administration:

**Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ -	\$ -	\$ 925,000	\$ 940,000	\$ 925,000	\$ 940,000
Note payable	<u>1,308,897</u>	<u>1,395,994</u>	<u>2,452,543</u>	<u>2,121,733</u>	<u>3,761,440</u>	<u>3,517,727</u>
Total	<u>1,308,897</u>	<u>1,395,994</u>	<u>3,377,543</u>	<u>3,061,733</u>	<u>4,686,440</u>	<u>4,457,727</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. Town of Benson’s legal debt margin is \$26,380,000.

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.

- Decreased unemployment rate within Johnston County of 4.5% which is less than the North Carolina average of 5.2%.
- Management’s comprehensive emphasis on economic development continues to aid in the expansion of current industry and attract new business. A net increase of 183 new jobs were created as nearly \$19 million in commercial/industrial growth took place.
- Occupancy rates on office and retail space. The Town of Benson’s occupancy overall rate was 87% for the year. Management expects that the occupancy rate for fiscal year 2016 will increase due to increased business ownership vs rental.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. Overall, General Fund revenues are budgeted to be approximately 3.4% higher than 2016 actual amounts.

Business-type Activities: Water and Sewer Fund revenues are budgeted to be approximately 3.3% higher than 2016 actual amounts. Electric Fund revenues are budgeted to be approximately 4.3% less than 2016 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, PO Box 69; 303 E Church St, Benson, North Carolina, 27504.

BASIC FINANCIAL STATEMENTS

TOWN OF BENSON, NORTH CAROLINA
Statement of Net Position
June 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,727,610	\$ 1,475,099	\$ 3,202,709
Taxes receivables (net)	5,688	-	5,688
Accounts receivable	42,652	823,805	866,457
Due from other governments	223,660	43,748	267,408
Inventories	-	212,395	212,395
Restricted cash	103,632	283,479	387,111
Total current assets	2,103,242	2,838,526	4,941,768
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	670,791	2,714,642	3,385,433
Other capital assets, net of depreciation	7,112,757	9,288,122	16,400,879
Total capital assets	7,783,548	12,002,764	19,786,312
Total assets	9,886,790	14,841,290	24,728,080
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	66,769	50,874	117,643
Pension deferrals	2,196	1,582	3,778
Total deferred outflows of resources	68,965	52,456	121,421
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	102,665	451,222	553,887
Due to other governments	-	23,565	23,565
Customer deposits	-	238,285	238,285
Current portion of long-term liabilities	140,296	225,470	365,766
Total current liabilities	242,961	938,542	1,181,503
Long-term liabilities:			
Net pension liability	70,400	63,789	134,189
Due in more than one year	1,335,564	3,293,590	4,629,154
Total liabilities	1,648,925	4,295,921	5,944,846
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	61	-	61
Pension deferrals	76,332	29,015	105,347
Total deferred inflows of resources	76,393	29,015	105,408
NET POSITION			
Net investment in capital assets	6,474,651	8,688,821	15,163,472
Restricted for:			
Stabilization by State Statue	365,313	-	365,313
Debt service	77,716	-	77,716
Economic and physical development	25,916	-	25,916
Cultural and recreation	3,866	-	3,866
Unrestricted	1,282,975	1,879,989	3,162,964
Total net position	\$ 8,230,437	\$ 10,568,810	\$ 18,799,247

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 1,038,374	\$ 193,518	\$ -	\$ 197,812	\$ (647,044)	\$ -	\$ (647,044)
Public safety	1,364,010	-	16,315	-	(1,347,695)	-	(1,347,695)
Transportation	312,451	-	-	104,085	(208,366)	-	(208,366)
Environmental protection	372,171	332,665	-	-	(39,506)	-	(39,506)
Cultural and recreation	640,878	177,860	-	55,000	(408,018)	-	(408,018)
Interest on long-term debt	51,907	-	-	-	(51,907)	-	(51,907)
Total governmental activities	<u>3,779,791</u>	<u>704,043</u>	<u>16,315</u>	<u>356,897</u>	<u>(2,702,536)</u>	<u>-</u>	<u>(2,702,536)</u>
Business-type activities:							
Electric	4,355,434	4,567,214	-	-	-	211,780	211,780
Water and sewer	2,642,883	2,769,710	-	214,361	-	341,188	341,188
Total business-type activities	<u>6,998,317</u>	<u>7,336,924</u>	<u>-</u>	<u>214,361</u>	<u>-</u>	<u>552,968</u>	<u>552,968</u>
Total primary government	<u>\$ 10,778,108</u>	<u>\$ 8,040,967</u>	<u>\$ 16,315</u>	<u>\$ 571,258</u>	<u>(2,702,536)</u>	<u>552,968</u>	<u>(2,149,568)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,554,039	-	1,554,039
Other taxes					902,026	-	902,026
Grants and contributions not restricted to specific programs					18,250	-	18,250
Unrestricted investment earnings					2,587	1,765	4,352
Miscellaneous					79,892	-	79,892
Transfers					15,000	(15,000)	-
Total general revenues and transfers					<u>2,571,794</u>	<u>(13,235)</u>	<u>2,558,559</u>
Change in net position					(130,742)	539,733	408,991
Net position, beginning, previously reported					8,361,179	9,986,911	18,348,090
Restatement					-	42,166	42,166
Net position, beginning, as restated					<u>8,361,179</u>	<u>10,029,077</u>	<u>18,390,256</u>
Net position, ending					<u>\$ 8,230,437</u>	<u>\$ 10,568,810</u>	<u>\$ 18,799,247</u>

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2016

	<u>Major Fund</u> <u>General</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,373,918	\$ 353,692	\$ 1,727,610
Restricted cash	77,716	25,916	103,632
Taxes receivable - net	5,688	-	5,688
Accounts receivable	42,652	-	42,652
Due from other governments	223,249	411	223,660
Total assets	<u>\$ 1,723,223</u>	<u>\$ 380,019</u>	<u>\$ 2,103,242</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 93,665</u>	<u>\$ 9,000</u>	<u>\$ 102,665</u>
Total liabilities	<u>93,665</u>	<u>9,000</u>	<u>102,665</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes, licenses and fees	61	-	61
Taxes receivable	5,688	-	5,688
Total deferred inflows of resources	<u>5,749</u>	<u>-</u>	<u>5,749</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	365,313	-	365,313
Other	77,716	25,916	103,632
Committed	-	345,103	345,103
Assigned	-	-	-
Unassigned	1,180,780	-	1,180,780
Total fund balances	<u>1,623,809</u>	<u>371,019</u>	<u>1,994,828</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,723,223</u>	<u>\$ 380,019</u>	<u>\$ 2,103,242</u>

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

TOWN OF BENSON, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 11,994,828	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 11,724,016	
Accumulated depreciation	<u>(3,940,468)</u>	7,783,548
Deferred outflows of resources related to pensions are not reported in the funds		68,965
Earned revenues considered deferred inflows of resources in fund statements.		5,688
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(1,475,860)	
Net pension liability	<u>(70,400)</u>	(1,546,260)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(76,332)</u>
Net position of governmental activities		<u><u>\$ 8,230,437</u></u>

The accompanying notes to the financial statements are an integral part of these statements

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

Exhibit 4

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,554,039	\$ -	\$ 1,554,039
Other taxes and licenses	998,882	-	998,882
Unrestricted intergovernmental	34,565	-	34,565
Restricted intergovernmental	301,896	55,000	356,896
Permits and fees	523,937	-	523,937
Investment earnings	2,380	206	2,586
Miscellaneous	154,771	10,550	165,321
Total revenues	<u>3,570,470</u>	<u>65,756</u>	<u>3,636,226</u>
EXPENDITURES			
Current:			
General government	545,332	-	545,332
Public safety	1,325,022	10,588	1,335,610
Public works	404,013	-	404,013
Transportation	322,218	(9,767)	312,451
Environmental protection	372,171	-	372,171
Cultural and recreational	582,562	96,134	678,696
Debt service:			
Principal	113,644	-	113,644
Interest	25,360	-	25,360
Total expenditures	<u>3,690,322</u>	<u>96,955</u>	<u>3,787,277</u>
Excess (deficiency) of revenues over expenditures	<u>(119,852)</u>	<u>(31,199)</u>	<u>(151,051)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	143,653	143,653
Transfers to other funds	(128,653)	-	(128,653)
Total other financing sources (uses)	<u>(128,653)</u>	<u>143,653</u>	<u>15,000</u>
Net change in fund balance	(248,505)	112,454	(136,051)
Fund balances, beginning	<u>1,872,314</u>	<u>258,565</u>	<u>2,130,879</u>
Fund balances, ending	<u>\$ 1,623,809</u>	<u>\$ 371,019</u>	<u>\$ 1,994,828</u>

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

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

Exhibit 4

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

Net changes in fund balances- total governmental funds		\$ (136,051)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 232,154	
Depreciation expense for governmental assets	<u>(305,393)</u>	(73,239)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		66,769
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(2,179)
------------------------------------------------	--	---------

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

New long-term debt issues	-	
Principal payments on long-term debt	<u>87,097</u>	87,097

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	1,094	
Pension expense	(48,557)	
Other postemployment benefits	(18,735)	
Loss on disposal of capital assets	<u>(6,941)</u>	<u>(73,139)</u>

Total changes in net position of governmental activities		<u>\$ (130,742)</u>
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The accompanying notes to the financial statements are an integral part of these statements.

TOWN OF BENSON, NORTH CAROLINA

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,492,930	\$ 1,534,466	\$ 1,554,039	\$ 19,573
Other taxes and licenses	868,270	1,033,728	998,882	(34,846)
Unrestricted intergovernmental	31,000	35,750	34,565	(1,185)
Restricted intergovernmental	290,135	303,030	301,896	(1,134)
Permits and fees	489,400	533,090	523,937	(9,153)
Investment earnings	500	2,365	2,380	15
Miscellaneous	126,225	156,301	154,771	(1,530)
Total revenues	<u>3,298,460</u>	<u>3,598,730</u>	<u>3,570,470</u>	<u>(28,260)</u>
Expenditures:				
Current:				
General government	566,481	595,081	545,332	49,749
Public safety	1,389,913	1,353,668	1,325,022	28,646
Public works	209,250	419,279	404,013	15,266
Transportation	312,515	373,947	322,218	51,729
Environmental protection	354,900	378,900	372,171	6,729
Cultural and recreational	616,518	624,918	582,562	42,356
Debt service:				
Principal	113,643	113,644	113,644	-
Interest	25,360	25,360	25,360	-
Total expenditures	<u>3,588,580</u>	<u>3,884,797</u>	<u>3,690,322</u>	<u>194,475</u>
Revenues over (under) expenditures	<u>(290,120)</u>	<u>(286,067)</u>	<u>(119,852)</u>	<u>166,215</u>
Other financing sources (uses):				
Transfers from other funds	-	15,896	-	(15,896)
Transfers to other funds	-	(253,202)	(128,653)	124,549
Fund balance appropriated	290,120	523,373	-	(523,373)
Total other financing sources (uses)	<u>290,120</u>	<u>286,067</u>	<u>(128,653)</u>	<u>(414,720)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(248,505)</u>	<u>\$ (248,505)</u>
Fund balance, beginning			<u>1,872,314</u>	
Fund balance, ending			<u>\$ 1,623,809</u>	

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 6

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Major Enterprise Funds</u>		<u>Total Non-Major Funds</u>	<u>Total</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 349,647	\$ 988,277	\$ 137,175	\$ 1,475,099
Accounts receivable - net	458,188	365,617	-	823,805
Due from other governments	9,446	28,935	5,367	43,748
Due from other funds	4,619	-	-	4,619
Inventories	135,034	77,361	-	212,395
Restricted cash and cash equivalents	203,576	79,903	-	283,479
Total current assets	<u>1,160,510</u>	<u>1,540,093</u>	<u>142,542</u>	<u>2,843,145</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	2,714,642	-	2,714,642
Other capital assets, net of depreciation	320,778	8,967,344	-	9,288,122
Total Capital assets	<u>320,778</u>	<u>11,681,986</u>	<u>-</u>	<u>12,002,764</u>
Total noncurrent assets	<u>320,778</u>	<u>11,681,986</u>	<u>-</u>	<u>12,002,764</u>
Total assets	<u>1,481,288</u>	<u>13,222,079</u>	<u>142,542</u>	<u>14,845,909</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	20,169	30,705	-	50,874
Pension deferrals	637	945	-	1,582
	<u>20,806</u>	<u>31,650</u>	<u>-</u>	<u>52,456</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	307,365	143,857	-	451,222
Due to other fund	-	4,619	-	4,619
Due to other governments	23,565	-	-	23,565
Customer deposits	203,576	34,709	-	238,285
Compensated absences, current	6,000	35,000	-	41,000
Current portion of long-term debt	-	184,470	-	184,470
Total current liabilities	<u>540,506</u>	<u>402,655</u>	<u>-</u>	<u>943,161</u>
Noncurrent liabilities:				
Accrued vacation	10,207	185	-	10,392
Other postemployment benefits	39,778	50,347	-	90,125
Net pension liability	24,151	39,638	-	63,789
Non-current portion of long-term debt	-	3,193,073	-	3,193,073
Total noncurrent liabilities	<u>74,136</u>	<u>3,283,243</u>	<u>-</u>	<u>3,357,379</u>
Total liabilities	<u>614,642</u>	<u>3,685,898</u>	<u>-</u>	<u>4,300,540</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	14,772	14,243	-	29,015
NET POSITION				
Net investment in capital assets	320,778	8,304,443	-	8,625,221
Restricted for capital projects	-	45,194	-	45,194
Unrestricted	551,902	1,203,951	142,542	1,898,395
Total net position	<u>\$ 872,680</u>	<u>\$ 9,553,588</u>	<u>\$ 142,542</u>	<u>\$ 10,568,810</u>

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 7

	<u>Major Enterprise Funds</u>		<u>Total Non-Major Funds</u>	<u>Total</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 4,525,239	\$ 2,726,557	\$ -	\$ 7,251,796
Other operating revenues	41,975	43,153	-	85,128
Total operating revenues	<u>4,567,214</u>	<u>2,769,710</u>	<u>-</u>	<u>7,336,924</u>
OPERATING EXPENSES				
General operations	-	890,451	-	890,451
Electric operations	1,073,467	-	28,565	1,102,032
Power / water purchased	2,931,720	643,478	-	3,575,198
Equipment and line improvements	113,033	43,551	157,458	314,042
Water distribution	-	4,488	-	4,488
Waste water collection	-	693,133	-	693,133
Depreciation	51,191	298,047	-	349,238
Total operating expenses	<u>4,169,411</u>	<u>2,573,148</u>	<u>186,023</u>	<u>6,928,582</u>
Operating income (loss)	<u>397,803</u>	<u>196,562</u>	<u>(186,023)</u>	<u>408,342</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	613	1,152	-	1,765
Interest and other charges	-	(69,735)	-	(69,735)
Total nonoperating revenues (expenses)	<u>613</u>	<u>(68,583)</u>	<u>-</u>	<u>(67,970)</u>
Income (loss) before contributions and transfers	398,416	127,979	(186,023)	340,372
Capital contributions	-	214,361	-	214,361
Transfer from other funds	-	-	328,565	328,565
Transfer to other funds	(343,565)	-	-	(343,565)
Change in net position	54,851	342,340	142,542	539,733
Total net position, previously reported	817,829	9,169,082	-	9,986,911
Restatement	-	42,166	-	42,166
Total net position, restated	<u>817,829</u>	<u>9,211,248</u>	<u>-</u>	<u>10,029,077</u>
Total net position, ending	<u>\$ 872,680</u>	<u>\$ 9,553,588</u>	<u>\$ 142,542</u>	<u>\$ 10,568,810</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds		Total Non-Major Funds	Total
	Electric Fund	Water and Sewer Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,751,777	\$ 2,866,658	\$ -	\$ 7,618,435
Cash paid for goods and services	(3,802,982)	(1,583,365)	(191,390)	(5,577,737)
Cash paid to or on behalf of employees for services	(416,302)	(786,748)	-	(1,203,050)
Customer deposits received	25,641	5,275	-	30,916
Other operating revenues	41,975	43,153	-	85,128
Net cash provided (used) by operating activities	600,109	544,973	(191,390)	953,692
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer (to) from other funds	(343,565)	-	328,565	(15,000)
Total cash flow from noncapital financing activities	(343,565)	-	328,565	(15,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Notes issued	-	518,266	-	518,266
Principal paid on bonds/loans	-	(202,456)	-	(202,456)
Interest paid on bonds/loans	-	(69,735)	-	(69,735)
Acquisition and construction of capital assets	-	(465,040)	-	(465,040)
Net cash provided (used) by capital and related financing activities	-	(218,965)	-	(218,965)
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital contributions	-	214,361	-	214,361
Interest on investments	613	1,152	-	1,765
Net cash provided (used) by investing activities	613	215,513	-	216,126
Net increase (decrease) in cash and cash equivalents	257,157	541,521	137,175	935,853
Balances, beginning	296,066	526,659	-	822,725
Balances, ending	\$ 553,223	\$ 1,068,180	\$ 137,175	\$ 1,758,578
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 397,803	\$ 196,562	\$ (186,023)	\$ 408,342
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	51,191	298,047	-	349,238
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	225,280	111,205	-	336,485
Decrease (increase) in due from other governments	6,625	28,896	(5,367)	30,154
Decrease in net pension asset	35,070	53,456	-	88,526
Increase in net pension liability	24,151	39,638	-	63,789
Increase (decrease) in accounts payable and accrued liabilities	(66,236)	(57,594)	-	(123,830)
Decrease (increase) in inventories	(41,456)	-	-	(41,456)
Increase (decrease) in customer deposits	25,641	5,275	-	30,916
Increase (decrease) in accrued vacation	10,010	(2,542)	-	7,468
(Increase) decrease in deferred outflows of resources for pensions	551	903	-	1,454
Decrease (increase) in deferred inflows of resources - pensions	(70,703)	(116,042)	-	(186,745)
Increase (decrease) in other postemployment benefits	2,182	(12,831)	-	(10,649)
Total adjustments	202,306	348,411	(5,367)	545,350
Net cash provided by operating activities	\$ 600,109	\$ 544,973	\$ (191,390)	\$ 953,692

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 9

Statement of Net Position

Fiduciary Fund

June 30, 2016

	<u>Fiduciary Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>
ASSETS	
Investments	\$ 26,751
Total assets	<u>\$ 26,751</u>
NET POSITION	
Held in trust	\$ 26,751
Total net position	<u>\$ 26,751</u>

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2016

Exhibit 10

	Fiduciary Fund
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ 1,256
Change in net position	1,256
NET POSITION	
Beginning of year, July 1	25,495
End of year, June 30	\$ 26,751

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. 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 of Benson 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. Basis of Presentation

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

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

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 and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, sanitation, parks and recreation and general government services.

The Town reports the following non-major governmental funds:

Special Revenue Fund. The Special Revenue Fund accounts 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 Projects Fund. The Capital Projects Fund accounts 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 six capital project funds: Street Paving Project, Bulletproof Vest Program, Auditorium Restroom Improvement Project, Voluntary Demolition Project, Power Line and Tree Trimming Project and the Capital Reserve.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations.

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

The Town reports the following fiduciary fund type:

Private-Purpose Trust Fund. This fund is 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 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.

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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide and proprietary 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, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

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

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

The effects 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 costs and program revenues reported for the various functions concerned.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Electric Fund, Water and Sewer Fund and Capital Reserve Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund, Capital Projects Fund and the Enterprise Fund Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. The manager may make interdepartmental transfers (limited to 10% of the department's budget) without Board approval. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Amendments are required to be approved by the governing board that alter total expenditures of any fund or that change functional appropriations by \$1,000 or more. During the year, several amendments to the original budget were necessary. The Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended loan proceeds from a loan agreement entered into by the Town are classified as restricted assets because their use is completely restricted to the purposes of purchasing police vehicles. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Any unexpended balances of grant or loan funds for the Capital Projects Funds are classified as restricted assets in the appropriate fund because their use is completely restricted to the purpose for which the grants and/or loans were intended. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Town of Benson Restricted Cash

Governmental Activities:

General Fund:

Debt Service	\$	77,716
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Other governmental funds:

USDA Grant Fund

Economic and physical development		25,916
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Total governmental activities		103,632
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Business-type Activities:

Electric Fund:

Customer deposits		203,576
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Water and Sewer Fund:

Unspent debt proceeds		45,194
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Customer deposits		34,709
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Total Business-type Activities		283,479
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Private Purpose Trust Fund:

J.L. George Endowment

Beautification Grant Trust Fund		26,751
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Total Restricted Cash	\$	413,862
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

The inventories of the Town are valued at the lower of cost or market. The inventories of the Town 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 costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated life in excess of two years. The minimum capitalization threshold is \$5,000 for all capital assets. Purchased and constructed capital assets are reported at cost or estimated historical costs. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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 and structures	50 years
Improvements	10 – 25 years
Infrastructure	40 – 50 years
Furnishings and fixtures	10 years
Vehicles	6 – 10 years
Equipment (non-computer)	5 – 10 years
Computer equipment	3 years
Software	3 years

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Restricted for Economic and Cultural and Recreation – portion of fund balance restricted by revenue source for Auditorium Restroom Improvements.

Restricted for Debt Service – portion of fund balance that is restricted by loan resolution with USDA future debt service.

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for economic development purposes.

Committed Fund Balance –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). Any changes or removal of specific purpose requires majority action by the governing body. 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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

Committed for Public Safety – portion of fund balance that is committed to the Benson Police Department Bulletproof Vest Program.

Committed for Transportation – portion of fund balance that is committed to the Street Paving Project.

Committed for Capital Outlay – portion of fund balance that is committed future capital expenditures.

Assigned Fund Balance – portion of fund balance that the Town of Benson intends to use for specific purposes.

Assigned for Public Safety – portion of fund balance assigned for public safety.

Assigned for Cultural and Recreation – portion of fund balance assigned for cultural and recreation.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation within a fund up to 10% of any department's appropriation.

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

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

The Town of Benson has not adopted a minimum fund balance policy for the General Fund.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Benson's employer contributions are recognized when due and the Town of Benson 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, 2016

I. Summary of Significant Accounting Policies (Continued)

13. 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.

II. Stewardship, Compliance, and Accountability

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.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town and in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2016, the Town's deposits had a carrying amount of \$3,589,520 and a bank balance of \$3,682,463. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the Dedicated Method and monitored by the State Treasurer. At June 30, 2016, the Town's petty cash fund totaled \$300.

2. Investments

As of June 30, 2016, the Town had an investment in equity securities in its fiduciary fund, the J.L. George Endowment Beautification Grant Trust Fund. The market value of these securities was \$26,751 as of the close of business on June 30, 2016. The Town has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$1,454.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 is net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 11,213	\$ 46,623	\$ 223,660	\$ 281,496
Allowance for doubtful accounts	(5,525)	(3,971)	-	(9,496)
Total governmental activities	<u>\$ 5,688</u>	<u>\$ 42,652</u>	<u>\$ 223,660</u>	<u>\$ 272,000</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 642,434	\$ 28,935	\$ 671,369
Water and Sewer Fund	-	693,503	14,813	708,316
Total receivables	-	1,335,937	43,748	1,379,685
Allowance for doubtful accounts	-	(512,132)	-	(512,132)
Total business-type activities	<u>\$ -</u>	<u>\$ 823,805</u>	<u>\$ 43,748</u>	<u>\$ 867,553</u>

Due from other governments consisted of the following:

Sales tax refund	<u>\$ 43,748</u>
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TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

4. Capital Assets

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

	Balance			Balance
	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 495,016	\$ 175,775	\$ -	\$ 670,791
Total capital assets not being depreciated	<u>495,016</u>	<u>175,775</u>	<u>-</u>	<u>670,791</u>
Capital assets being depreciated:				
Buildings and structures	8,390,372	32,600	5,000	8,417,972
Infrastructure	96,888	-	-	96,888
Furniture, equipment, and machinery	1,140,424	-	24,214	1,116,210
Vehicles	<u>1,473,167</u>	<u>23,779</u>	<u>74,791</u>	<u>1,422,155</u>
Total capital assets being depreciated	11,100,851	232,154	104,005	11,053,225
Less Accumulated Depreciation:				
Buildings and structures	1,958,006	189,216	5,000	2,142,222
Infrastructure	14,123	4,656	-	18,779
Furniture, equipment, and machinery	472,925	74,106	24,214	522,817
Vehicles	<u>1,287,085</u>	<u>37,415</u>	<u>67,850</u>	<u>1,256,650</u>
Total accumulated depreciation	<u>3,732,139</u>	<u>305,393</u>	<u>97,064</u>	<u>3,940,468</u>
Total capital assets being depreciated, net	<u>7,368,712</u>			<u>7,112,757</u>
Governmental activities capital assets, net	<u>\$ 7,863,728</u>			<u>\$ 7,783,548</u>

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

General government	\$ 131,115
Public safety	58,316
Public work	79,389
Cultural and recreation	<u>36,574</u>
	<u>\$ 305,393</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>July 1, 2015</u>			<u>June 30, 2016</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets being depreciated:				
Electrical system	\$ 2,061,037	\$ -	\$ -	\$ 2,061,037
Furniture and equipment	232,432	-	-	232,432
Vehicles	347,049	-	-	347,049
Total capital assets being depreciated	<u>2,640,518</u>	<u>-</u>	<u>-</u>	<u>2,640,518</u>
Less Accumulated Depreciation:				
Electrical system	1,723,954	41,221	-	1,765,175
Furniture and equipment	222,212	3,631	-	225,843
Vehicles	322,383	6,339	-	328,722
Total accumulated depreciation	<u>2,268,549</u>	<u>51,191</u>	<u>-</u>	<u>2,319,740</u>
Total capital assets being depreciated, net	<u>371,969</u>			<u>320,778</u>
Electric fund capital assets, net	<u>371,969</u>			<u>320,778</u>
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	28,870	-	-	28,870
Construction in progress	2,282,204	403,568	-	2,685,772
Total capital assets not being depreciated	<u>2,311,074</u>	<u>403,568</u>	<u>-</u>	<u>2,714,642</u>
Capital assets being depreciated:				
Buildings and structures	7,446,204	-	-	7,446,204
Water and sewer systems	5,596,522	24,712	-	5,621,234
Furniture and equipment	915,157	-	-	915,157
Vehicles	127,235	36,760	-	163,995
Total capital assets being depreciated	<u>14,085,118</u>	<u>61,473</u>	<u>-</u>	<u>14,146,590</u>
Less Accumulated Depreciation:				
Buildings and structures	1,957,177	148,824	-	2,106,001
Water and sewer systems	2,139,866	100,814	-	2,240,680
Furniture and equipment	680,013	40,024	-	720,037
Vehicles	104,143	8,385	-	112,528
Total accumulated depreciation	<u>4,881,199</u>	<u>298,047</u>	<u>-</u>	<u>5,179,246</u>
Total capital assets being depreciated, net	<u>9,203,919</u>			<u>8,967,344</u>
Water and sewer fund capital assets, net	<u>11,514,993</u>			<u>11,681,986</u>
Business-type activities capital assets, net	<u>\$ 11,886,962</u>			<u>\$ 12,002,764</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

4. Capital Assets (Continued)

Construction Commitments

The government has active construction projects as of June 30, 2016. The projects and amounts expended to date are as follows:

The Town had no open construction commitments at year-end.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of 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, 2016, 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 \$117,643 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$134,189 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.0299%, which was a decrease of 0.04% from its proportion measured as of June 30, 2015.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

For the year ended June 30, 2016, the Town recognized pension expense of \$53,210. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,542
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	38,203
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,778	35,602
Town contributions subsequent to the measurement date	117,643	-
Total	\$ 121,421	\$ 105,347

\$206,930 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (52,570)
2018	\$ (52,570)
2019	\$ (52,534)
2020	\$ 56,104
2021	\$ -
Thereafter	\$ -

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

Inflation	3.0 percent
Salary 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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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

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

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

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 935,719	\$ 134,189	\$ (541,082)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Benson 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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	10

A separate report was not issued for the plan.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

2. Summary of Significant Accounting Policies:

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

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

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

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

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town has not done an actuarial valuation on these benefits, because they have deemed the amount paid each year would be immaterial. For the current year, the Town paid \$0 in benefits. 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.

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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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, 2016 were \$24,890, which consisted of \$23,512 from the Town and \$1,378 from the law enforcement officers.

d. 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, 2016 were \$85,227, which consisted of \$65,301 from the Town and \$19,836 from the employees.

e. Other Postemployment 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 eligibility 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 eligibility 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.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

Membership of the HCB plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation.

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members, general employees	31
Active plan members, Law enforcement officers	<u>11</u>
Total	<u>43</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 \$22,456, or 1.33% 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.

Summary of Significant Accounting Policies. Postemployment 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. The Enterprise Fund records the estimated liability for its portion on an annual basis.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the 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	\$ 30,542
Interest on net OPEB obligation	5,952
Adjustment to annual required contribution	<u>(5,686)</u>
Annual OPEB cost (expense)	30,808
Contributions made	<u>(22,456)</u>
Increase (decrease) in net OPEB obligation	8,352
Net OPEB obligation, beginning of year	<u>148,789</u>
Net OPEB obligation, end of year	<u>\$ 157,141</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 30,808	72.90%	\$ 157,141
2015	\$ 29,894	52.70%	\$ 148,789
2014	\$ 45,560	31.10%	\$ 134,646

Funded Status and Funding Progress. As of December 31, 2015, 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 \$286,871. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,685,690 and the ratio of the UAAL to the covered payroll was 17.02 percent.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumption about the probability of occurrence of events into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past 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 multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. In the December 31, 2015 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 7.75 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, 2015 was 30 years.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 117,643
Pension deferrals	<u>3,778</u>
Total	<u>\$ 121,421</u>

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 105,347
Prepaid taxes	61
Taxes receivable, net	<u>5,688</u>
Total	<u>\$ 111,096</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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 insured 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. The finance officer is bonded for \$50,000.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

5. Claims, Judgments and Contingent Liabilities

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

6. 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. \$ 481,448

\$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. 537,434

\$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. 24,533

\$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 265,482

Total governmental activities notes payable \$ 1,308,897

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2016 are as follows:

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2017	\$ 89,296	\$ 49,708	\$ 139,004
	2018	66,846	46,796	113,642
	2019	69,004	44,639	113,643
	2020	71,228	42,415	113,643
	2021	73,552	40,091	113,643
	2022-2026	331,713	163,548	495,261
	2027-2031	278,412	107,418	385,830
	2032-2036	328,846	56,982	385,829
	Total	<u>\$ 1,308,897</u>	<u>\$ 551,598</u>	<u>\$ 1,860,495</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

b. 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	\$ 1,050,000
\$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	311,920
\$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	407,484
\$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	194,400
\$561,000 AMI Project Loan issued in December 19, 2014 and revised on April 30, 2015, interest at 0%, payable in annual installments of \$29,527 over a span of 19 years.	<u>488,739</u>
Total enterprise funds notes payable	<u><u>\$ 2,452,543</u></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><u>\$ 925,000</u></u>
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TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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, 2016 are as follows:

Operating revenues	\$ 2,749,886
Operating expenses*	<u>2,248,727</u>
Operating income	501,159
Non-operating revenues (expenses)**	<u>1,152</u>
Income available for debt service	<u><u>\$ 502,311</u></u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 44,524</u>
Debt service coverage ratio	<u>1128.18%</u>
Subordinated Debt Service:	
Debt service, principal, and interest paid (Subordinated Debt Service only)	<u>\$ 227,668</u>
Debt service coverage ratio	<u>220.63%</u>

*Per rate covenants, this does not include the depreciation expense of \$298,047.

**Per rate covenants, this does not include interest paid of \$69,735.

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 \$1,538,228. Principal and interest paid for the current year and total customer net revenues were \$44,524 and \$502,311 respectively.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

The future minimum payments of the Business-type activities long-term debt as of June 30, 2016 are as follows:

Notes Payable:

Year Ending				
June 30	Principal	Interest	Total	
2017	\$ 169,470	\$ 37,474	\$	206,944
2018	170,252	34,710		204,962
2019	171,060	31,920		202,980
2020	171,895	29,103		200,998
2021	172,759	26,257		199,016
2022-2026	1,139,195	93,683	1,232,878	
2027-2031	375,709	11,632		387,341
2032-2036	82,203	-		82,203
Total	<u>\$ 2,452,543</u>	<u>\$ 264,779</u>	<u>\$</u>	<u>2,717,322</u>

Revenue Bonds Payable:

Year Ending				
June 30	Principal	Interest	Total	
2017	\$ 15,000	\$ 30,242	\$	45,242
2018	16,000	29,242		45,242
2019	16,000	29,242		45,242
2020	17,000	28,242		45,242
2021	17,000	28,242		45,242
2022-2026	95,000	131,210	226,210	
2027-2031	112,000	114,210		226,210
2032-2036	131,000	95,210		226,210
2037-2041	155,000	71,210		226,210
2042-2045	182,000	44,210		226,210
2045-2051	169,000	11,968		180,968
Total	<u>\$ 925,000</u>	<u>\$ 613,228</u>	<u>\$</u>	<u>1,538,228</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Governmental Activities:					
Notes payable	\$ 1,395,994	\$ -	\$ (87,097)	\$ 1,308,897	\$ 89,296
Compensated absences	101,307	50,620	(51,714)	100,213	51,000
Net pension liability (LGRS)	-	70,400	-	70,400	-
Other post-employment benefits	48,015	19,633	(898)	66,750	-
Total governmental activities	<u>\$ 1,545,316</u>	<u>\$ 140,653</u>	<u>\$ (139,709)</u>	<u>\$ 1,546,260</u>	<u>\$ 140,296</u>
Business-Type Activities:					
Water and Sewer Fund:					
Revenue bonds	\$ 940,000	\$ -	\$ (15,000)	\$ 925,000	\$ 15,000
Notes payable	2,121,733	518,266	(187,456)	2,452,543	169,470
Compensated absences	37,727	30,833	(33,375)	35,185	35,000
Net pension liability (LGRS)	-	39,638	-	39,638	-
Other post-employment benefits	63,178	8,727	(21,558)	50,347	-
Total	<u>3,162,638</u>	<u>597,464</u>	<u>(257,389)</u>	<u>3,502,713</u>	<u>219,470</u>
Electric Fund:					
Compensated absences	6,197	16,286	(6,276)	16,207	6,000
Net pension liability (LGRS)	-	24,151	-	24,151	-
Other post-employment benefits	37,596	2,182	-	39,778	-
Total	<u>43,793</u>	<u>42,619</u>	<u>(6,276)</u>	<u>80,136</u>	<u>6,000</u>
Total business-type activities	<u>\$ 3,206,431</u>	<u>\$ 640,083</u>	<u>\$ (263,665)</u>	<u>\$ 3,582,849</u>	<u>\$ 225,470</u>

The Town has a legal debt margin of \$26,380,000 at June 30, 2016.

6. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 7,783,548	\$ 12,021,170
Less: long-term debt	(1,308,897)	(3,377,543)
Plus: unspent debt proceeds	-	45,194
Net investment in capital assets	<u>\$ 6,474,651</u>	<u>\$ 8,688,821</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

III. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2016, consist of the following:

From Electric Fund to Powerline and Tree Trimming Project for operating purposes	\$ 15,000
From Electric Fund to Load Management Project for operating purposes	300,000
From Electric Fund to Electric Rate and Cost of Services Study for operating purposes	28,565
From General Fund to Voluntary Demolition Project for operating purposes	50,000
From General Fund to Auditorium Restroom Improvement Project for operating purposes	35,000
From General Fund to Street Paving Project for operating purposes	<u>43,653</u>
	<u>\$ 472,218</u>

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

Interfund balances as of June 30, 2016 were as follows:

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

D. Fund Balance

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	\$ 1,623,809
Less:	
Stabilization by State Statute	365,313
Debt Service	77,166
Appropriated Fund Balance in 2017 budget	-
Remaining Fund Balance	<u>\$ 1,181,330</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Town had no encumbrances at June 30, 2016.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2016

IV. 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, 2016 were \$2,931,720.

VI. 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.

VII. 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.

VIII. Prior Period Restatement

During the year ended June 30, 2016, Town management discovered reporting errors that caused the financial statement for the year ended June 30, 2015 to be misstated. These errors involved inventory being understated by \$60,572 and construction in progress being overstated by \$18,406. The total restatement increased beginning net position by \$42,166. There was no effect in change in net position for the year ended June 30, 2016.

VIX. Significant Effects of Subsequent Events

Subsequent events have been evaluated through October 30, 2016, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF BENSON, NORTH CAROLINA
Other Postemployment Benefits
Required Supplementary Information

Schedule 1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 344,233	\$ 344,233	0%	\$ 1,851,300	18.59%
12/31/2012	\$ -	\$ 281,212	\$ 281,212	0%	\$ 1,692,979	16.61%
12/31/2015	\$ -	\$ 286,871	\$ 286,871	0%	\$ 1,685,690	17.02%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 44,995	31.49%
2015	\$ 29,653	53.12%
2016	\$ 30,542	72.90%

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	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial Assumption:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022

* Includes inflation at 3.00%

TOWN OF BENSON, NORTH CAROLINA
Town of Benson's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years *

Schedule 2

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Benson's proportion of the net pension liability (asset) (%)	0.0299%	0.0767%	0.0759%
Benson's proportion of the net pension liability (asset) (\$)	\$ 134,189	\$ (204,406)	\$ 394,161
Benson's covered-employee payroll	\$1,710,660	\$1,676,702	\$1,697,774
Benson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.84%	-12.19%	23.22%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%	94.35%

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

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

TOWN OF BENSON, NORTH CAROLINA
Town of Benson's Contributions
Required Supplementary Information
Last Three Fiscal Years

Schedule 3

Local Government Employees' Retirement System

	2016	2015	2014
Contractually required contribution	\$ 117,643	\$ 119,438	\$ 119,499
Contributions in relation to the contractually required contribution	117,643	119,438	119,499
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Benson's covered-employee payroll	\$1,710,660	\$ 1,668,796	\$1,676,702
Contribution as a percentage of covered-employee payroll	6.88%	7.16%	7.13%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BENSON, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,531,508	\$ 1,551,081	\$ 19,573
Interest and penalties	2,958	2,958	-
Total	<u>1,534,466</u>	<u>1,554,039</u>	<u>19,573</u>
Other taxes and licenses:			
Local option sales tax	545,383	503,020	(42,363)
Utility franchise tax	376,084	383,786	7,702
Payments in lieu of taxes	97,036	96,856	(180)
Occupancy tax	9,823	9,818	(5)
Privilege licenses	3,250	3,250	-
Disposal tax	2,152	2,152	-
Total	<u>1,033,728</u>	<u>998,882</u>	<u>(34,846)</u>
Unrestricted intergovernmental:			
ABC Board profit distribution	17,500	16,315	(1,185)
Wine and beer taxes	18,250	18,250	-
Total	<u>35,750</u>	<u>34,565</u>	<u>(1,185)</u>
Restricted intergovernmental:			
Fire grants	187,945	188,642	697
Powell Bill	104,085	104,085	-
Economic development	11,000	9,169	(1,831)
Total	<u>303,030</u>	<u>301,896</u>	<u>(1,134)</u>
Permits and fees:			
Recreation fees	78,400	82,950	4,550
Library fees	14,000	12,099	(1,901)
Court costs	5,000	4,403	(597)
Building permits	63,409	63,859	450
Garbage fees	344,400	332,665	(11,735)
Cable franchise fees	18,561	18,561	-
Fire inspection fees	9,320	9,400	80
Total	<u>533,090</u>	<u>523,937</u>	<u>(9,153)</u>
Investment earnings	<u>2,365</u>	<u>2,380</u>	<u>15</u>
Miscellaneous	<u>156,301</u>	<u>154,771</u>	<u>(1,530)</u>
Total revenues	<u>3,598,730</u>	<u>3,570,470</u>	<u>(28,260)</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 23,561	\$ 23,479	\$ 82
Operating expenses	30,700	29,055	1,645
Total	<u>54,261</u>	<u>52,534</u>	<u>1,727</u>
Administration:			
Salaries and employee benefits	104,688	101,908	2,780
Operating expenses	436,132	390,890	45,242
Capital outlay	-	-	-
Total	<u>540,820</u>	<u>492,798</u>	<u>48,022</u>
Total general government	<u>595,081</u>	<u>545,332</u>	<u>49,749</u>
Public safety:			
Inspections, zoning and safety:			
Salaries and employee benefits	67,547	66,279	1,268
Operating expenses	22,467	14,103	8,364
Capital outlay	3,000	2,446	554
Total	<u>93,014</u>	<u>82,828</u>	<u>10,186</u>
Police:			
Salaries and employee benefits	756,962	760,784	(3,822)
Operating expenses	104,225	86,859	17,366
Capital outlay	30,200	28,884	1,316
Total	<u>891,387</u>	<u>876,527</u>	<u>14,860</u>
Fire:			
Salaries and employee benefits	146,465	147,423	(958)
Operating expenses	131,946	129,637	2,309
Capital outlay	27,227	24,978	2,249
Volunteer firemen	63,629	63,629	-
Total	<u>369,267</u>	<u>365,667</u>	<u>3,600</u>
Total public safety	<u>1,353,668</u>	<u>1,325,022</u>	<u>28,646</u>
Public works:			
Municipal buildings:			
Salaries and employee benefits	-	-	-
Operating expenses	132,928	120,004	12,924
Capital Outlay	175,000	175,000	-
Total	<u>307,928</u>	<u>295,004</u>	<u>12,924</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Continued)

	Budget	Actual	Variance Positive (Negative)
Central maintenance			
Salaries and employee benefits	\$ 9,000	\$ 7,110	\$ 1,890
Operating expenses	2,500	727	1,773
Capital Outlay	9,500	8,303	1,197
Total	<u>21,000</u>	<u>16,140</u>	<u>4,860</u>
Municipal grounds:			
Salaries and employee benefits	90,351	92,869	(2,518)
Operating expenses	-	-	-
Capital Outlay	-	-	-
Total	<u>90,351</u>	<u>92,869</u>	<u>(2,518)</u>
Total public works	<u>419,279</u>	<u>404,013</u>	<u>15,266</u>
Transportation:			
Streets:			
Salaries and employee benefits	46,915	24,362	22,553
Operating expenses	249,032	229,845	19,187
Capital outlay -	5,000	4,187	813
Total	<u>300,947</u>	<u>258,394</u>	<u>42,553</u>
Street Lights:			
Utilities	73,000	63,824	9,176
Total	<u>73,000</u>	<u>63,824</u>	<u>9,176</u>
Total transportation	<u>373,947</u>	<u>322,218</u>	<u>51,729</u>
Environmental protection:			
Sanitation:			
Contracted services	370,400	369,423	977
Tipping fees	8,500	2,748	5,752
Total	<u>378,900</u>	<u>372,171</u>	<u>6,729</u>
Total environmental protection	<u>378,900</u>	<u>372,171</u>	<u>6,729</u>
Cultural and recreational:			
Library:			
Salaries and employee benefits	71,100	68,849	2,251
Operating expenses	42,918	33,415	9,503
Capital outlay	2,000	1,812	188
Total	<u>116,018</u>	<u>104,076</u>	<u>11,942</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 4

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Continued)

	Budget	Actual	Variance Positive (Negative)
Museum:			
Salaries and employee benefits	\$ 36,250	\$ 33,538	\$ 2,712
Operating expenses	35,250	24,419	10,831
Capital outlay	2,500	1,894	606
Total	<u>74,000</u>	<u>59,851</u>	<u>14,149</u>
Parks and recreation:			
Salaries and employee benefits	235,685	231,830	3,855
Operating expenses	187,715	179,148	8,567
Capital outlay	5,000	3,657	1,343
Total	<u>428,400</u>	<u>414,635</u>	<u>13,765</u>
Cemetery:			
Operating expenses	6,500	4,000	2,500
Total	<u>6,500</u>	<u>4,000</u>	<u>2,500</u>
Total cultural and recreation	<u>624,918</u>	<u>582,562</u>	<u>42,356</u>
Debt service:			
Principal	113,644	113,644	-
Interest	25,360	25,360	-
Total	<u>139,004</u>	<u>139,004</u>	<u>-</u>
Total expenditures	<u>3,884,797</u>	<u>3,690,322</u>	<u>194,475</u>
Revenues over (under) expenditures	(286,067)	(119,852)	166,215
Other financing sources (uses):			
Transfers from other funds	15,896	-	(15,896)
Transfers to other funds:	(253,202)	(128,653)	124,549
Total	<u>(237,306)</u>	<u>(128,653)</u>	<u>108,653</u>
Fund balance appropriated	<u>523,373</u>	<u>-</u>	<u>523,373</u>
Net change in fund balance	<u>\$ -</u>	<u>(248,505)</u>	<u>\$ (248,505)</u>
Fund balance, beginning		<u>1,872,314</u>	
Fund balance, ending		<u>\$ 1,623,809</u>	

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2016

Schedule 5

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	353,692	\$ 353,692
Cash and cash equivalents, restricted	25,916	-	25,916
Due from other governments	-	411	411
Total assets	\$ 25,916	\$ 354,103	\$ 380,019
LIABILITIES			
Accounts payable	\$ -	\$ 9,000	\$ 9,000
Total liabilities	-	9,000	9,000
FUND BALANCES			
Restricted:			
Restricted, other	25,916	-	25,916
Committed, other	-	345,103	345,103
Total fund balances	25,916	345,103	371,019
Total liabilities and fund balances	\$ 25,916	\$ 354,103	\$ 380,019

TOWN OF BENSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2016

Schedule 6

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Restricted intergovernmental	\$ -	\$ 55,000	\$ 55,000
Investment earnings	-	206	206
Miscellaneous	-	10,550	10,550
Total revenues	<u>-</u>	<u>65,756</u>	<u>65,756</u>
EXPENDITURES			
Transportation	-	(9,767)	(9,767)
Public Safety	-	10,588	10,588
Cultural and recreational	-	96,134	96,134
Total expenditures	<u>-</u>	<u>96,955</u>	<u>96,955</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(31,199)</u>	<u>(31,199)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	<u>-</u>	<u>143,653</u>	<u>143,653</u>
Net changes in fund balances	-	112,454	112,454
Fund balances, beginning	<u>25,916</u>	<u>232,649</u>	<u>258,565</u>
Fund balances, ending	<u>\$ 25,916</u>	<u>\$ 345,103</u>	<u>\$ 371,019</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 7

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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
US Department of Agriculture Loan repayment	\$ 60,000 -	\$ 25,000 25,916	\$ - -	\$ 25,000 25,916	\$ (35,000) 25,916
Total revenues	60,000	50,916	-	50,916	(9,084)
Expenditures:					
Economic development loans	60,000	25,000	-	25,000	35,000
Total expenditures	60,000	25,000	-	25,000	35,000
Revenues over (under) expenditures	-	25,916	-	25,916	25,916
Net change in fund balance	\$ -	\$ 25,916	-	\$ 25,916	\$ 25,916
Fund balance, beginning			25,916		
Fund balance, ending			\$ 25,916		

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2016

Schedule 8

	<u>Street Paving Project</u>	<u>Bulletproof Vest Program</u>	<u>Auditorium Restroom Improvement Project</u>	<u>Voluntary Demolition Project</u>	<u>Power Line and Tree Trimming Project</u>	<u>Capital Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 62,500	\$ 748	\$ 3,562	\$ 50,000	\$ 15,000	\$ 221,882	\$ 353,692
Due from other governments	-	107	304	-	-	-	411
Total assets	<u>\$ 62,500</u>	<u>\$ 855</u>	<u>\$ 3,866</u>	<u>\$ 50,000</u>	<u>\$ 15,000</u>	<u>\$ 221,882</u>	<u>\$ 354,103</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	9,000	\$ -	\$ 9,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
FUND BALANCES							
Restricted:							
Restricted, other	-	-	-	-	-	-	-
Committed, other	62,500	855	3,866	50,000	6,000	221,882	345,103
Total fund balances	<u>62,500</u>	<u>855</u>	<u>3,866</u>	<u>50,000</u>	<u>6,000</u>	<u>221,882</u>	<u>345,103</u>
Total liabilities and fund balances	<u>\$ 62,500</u>	<u>\$ 855</u>	<u>\$ 3,866</u>	<u>\$ 50,000</u>	<u>\$ 15,000</u>	<u>\$ 221,882</u>	<u>\$ 354,103</u>

TOWN OF BENSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2016

Schedule 9

	Street Paving Project	Bulletproof Vest Program	Auditorium Restroom Improvement Project	Voluntary Demolition Project	Power Line and Tree Trimming Project	Capital Reserve	Total Nonmajor Governmental Funds
REVENUES							
Restricted intergovernmental	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ -	\$ 55,000
Investment earnings	-	-	-	-	-	206	206
Miscellaneous	-	-	-	-	-	10,550	10,550
Total revenues	-	-	55,000	-	-	10,756	65,756
EXPENDITURES							
Transportation	(9,767)	-	-	-	-	-	(9,767)
Public Safety	-	1,588	-	-	9,000	-	10,588
Cultural and recreational	-	-	96,134	-	-	-	96,134
Total expenditures	(9,767)	1,588	96,134	-	9,000	-	96,955
Excess (deficiency) of revenues over expenditures	9,767	(1,588)	(41,134)	-	(9,000)	10,756	(31,199)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds							
General Fund	43,653	-	35,000	50,000	15,000	-	143,653
Net change in fund balance	53,420	(1,588)	(6,134)	50,000	6,000	10,756	112,454
Fund balances, beginning	9,080	2,443	10,000	-	-	211,126	232,649
Fund balances, ending	<u>\$ 62,500</u>	<u>\$ 855</u>	<u>\$ 3,866</u>	<u>\$ 50,000</u>	<u>\$ 6,000</u>	<u>\$ 221,882</u>	<u>\$ 345,103</u>

Street Paving Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Paving	\$ 371,153	\$ 222,960	\$ 9,080	\$ 232,040	\$ 139,113
Total expenditures	<u>371,153</u>	<u>222,960</u>	<u>9,080</u>	<u>232,040</u>	<u>139,113</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	<u>371,153</u>	<u>232,040</u>	<u>62,500</u>	<u>294,540</u>	<u>(76,613)</u>
Total other financing sources (uses)	<u>371,153</u>	<u>232,040</u>	<u>62,500</u>	<u>294,540</u>	<u>(76,613)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,080</u>	53,420	<u>\$ 62,500</u>	<u>\$ 62,500</u>
Fund balance, beginning			<u>9,080</u>		
Fund balance, ending			<u>\$ 62,500</u>		

Bulletproof Vest Program

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
US Department of Justice	\$ 4,211	\$ 3,830	\$ -	\$ 3,830	\$ (381)
Total revenues	4,211	3,830	-	3,830	(381)
Expenditures:					
Bulletproof vest purchases	10,000	7,176	1,588	8,764	1,236
Total expenditures	10,000	7,176	1,588	8,764	1,236
Revenues over (under) expenditures	(5,789)	(3,346)	(1,588)	(4,934)	855
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	5,789	5,789	-	5,789	-
Total other financing sources (uses)	5,789	5,789	-	5,789	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,443</u>	(1,588)	<u>\$ 855</u>	<u>\$ 855</u>
Fund balance, beginning			2,443		
Fund balance, ending			<u>\$ 855</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 12

Capital Projects Fund - 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, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Johnston County Visitor's Bureau Grant	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Benson Foundation for the Arts Donation	55,000	-	55,000	55,000	-
Total revenues	<u>65,000</u>	<u>10,000</u>	<u>55,000</u>	<u>65,000</u>	<u>-</u>
Expenditures:					
Construction	100,000	-	96,134	96,134	3,866
Total expenditures	<u>100,000</u>	<u>-</u>	<u>96,134</u>	<u>96,134</u>	<u>3,866</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>10,000</u>	<u>(41,134)</u>	<u>(31,134)</u>	<u>3,866</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	35,000	-	35,000	35,000	-
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 10,000</u>	(6,134)	<u>\$ 3,866</u>	<u>\$ 3,866</u>
Fund balance, beginning			<u>10,000</u>		
Fund balance, ending			<u>\$ 3,866</u>		

Voluntary Demolition Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Demolition expense	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	50,000	-	50,000	50,000	-
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	50,000	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 50,000</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 14

Power Line and Tree Trimming Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Tree trimming expense	\$ 40,000	\$ -	\$ 9,000	\$ 9,000	\$ 31,000
Total expenditures	<u>40,000</u>	<u>-</u>	<u>9,000</u>	<u>9,000</u>	<u>31,000</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	40,000	-	15,000	15,000	(25,000)
Total other financing sources (uses)	<u>40,000</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	6,000	<u>\$ 6,000</u>	<u>\$ 6,000</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 6,000</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 15

Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

With Comparative Totals from June 30, 2015

	2016		Variance Over / Under	2015
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 206	\$ 206	\$ 37
Miscellaneous	-	10,550	10,550	20,000
Total revenues	-	10,756	10,756	20,037
Net change in fund balance	<u>\$ -</u>	10,756	<u>\$ 10,756</u>	20,037
Fund balance, beginning		211,126		191,089
Fund balance, ending		<u>\$ 221,882</u>		<u>\$ 211,126</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 16

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electric sales	\$ 4,609,225	\$ 4,468,330	\$ (140,895)
Cut out / late charges	57,000	56,909	(91)
Other operating charges	35,638	41,975	6,337
Total operating revenues	<u>4,701,863</u>	<u>4,567,214</u>	<u>(134,649)</u>
Nonoperating revenues:			
Interest earnings	1,000	613	(387)
Total revenues	<u>4,702,863</u>	<u>4,567,827</u>	<u>(135,036)</u>
Expenditures:			
Salaries and employee benefits	429,075	436,352	(7,277)
Power purchased	3,200,000	2,931,720	268,280
Operating expenditures	677,644	651,373	26,271
Equipment and line improvements	202,579	113,033	89,546
Total expenditures	<u>4,509,298</u>	<u>4,132,478</u>	<u>376,820</u>
Revenues over (under) expenditures	<u>193,565</u>	<u>435,349</u>	<u>241,784</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital projects	(687,130)	(343,565)	343,565
Appropriated fund balance	493,565	-	(493,565)
Total	<u>(193,565)</u>	<u>(343,565)</u>	<u>(150,000)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>91,784</u>	<u>\$ 91,784</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(51,191)	
Deferred outflows of resources for contributions made to pension plan in the current year		(551)	
Pension expense		27,001	
Change in accrued vacation		(10,010)	
Change in OPEB		<u>(2,182)</u>	
Change in net position		<u>\$ 54,851</u>	

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2016

Schedule 17

	Load Management Project	Electric Rate and Cost Services Study	Total Nonmajor Enterprise Funds
ASSETS			
Cash and cash equivalents	\$ 137,175	\$ -	\$ 137,175
Due from other governments	5,367	-	5,367
Total assets	\$ 142,542	\$ -	\$ 142,542
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities			
FUND BALANCES			
Restricted:			
Committed, other	142,542	-	142,542
Total fund balances	142,542	-	142,542
Total liabilities and fund balances	\$ 142,542	\$ -	\$ 142,542

TOWN OF BENSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2016

Schedule 18

	Load Management Project	Electric Rate and Cost Services Study	Total Nonmajor Enterprise Funds
EXPENDITURES			
Electric rate study	\$ -	\$ 28,565	\$ 28,565
Load management expenses	157,458	-	157,458
Total expenditures	157,458	28,565	186,023
Excess (deficiency) of revenues over expenditures	(157,458)	(28,565)	(186,023)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Electric Fund	300,000	28,565	328,565
Net change in fund balance	142,542	-	142,542
Fund balances, beginning	-	-	-
Fund balances, ending	\$ 142,542	\$ -	\$ 142,542

TOWN OF BENSON, NORTH CAROLINA

Schedule 19

Load Management Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Load management expenses	\$ 300,000	\$ -	\$ 157,458	\$ 157,458	\$ 142,542
Total expenditures	<u>300,000</u>	<u>-</u>	<u>157,458</u>	<u>157,458</u>	<u>142,542</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Electric Fund	300,000	-	300,000	300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	142,542	<u>\$ 142,542</u>	<u>\$ 142,542</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 142,542</u>		

Electric Rate and Cost Services Study

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Electric Rate Study	\$ 28,565	\$ -	\$ 28,565	\$ 28,565	\$ -
Total expenditures	<u>28,565</u>	<u>-</u>	<u>28,565</u>	<u>28,565</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Electric Fund	28,565	-	28,565	28,565	-
Total other financing sources (uses)	<u>28,565</u>	<u>-</u>	<u>28,565</u>	<u>28,565</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 21

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,275,000	\$ 1,310,668	\$ 35,668
Sewer charges	1,445,000	1,415,889	(29,111)
Water and sewer taps	4,500	3,300	(1,200)
Other operating charges	20,041	39,853	19,812
Total operating revenues	<u>2,744,541</u>	<u>2,769,710</u>	<u>25,169</u>
Nonoperating revenues:			
Interest earnings	1,117	1,127	10
Total revenues	<u>2,745,658</u>	<u>2,770,837</u>	<u>25,179</u>
Expenditures:			
General operations:			
Salaries and employee benefits	418,763	423,900	(5,137)
Operating expenditures	356,071	359,845	(3,774)
Maintenance and repairs	59,800	58,649	1,151
Capital outlay	148,894	110,946	37,948
Total expenditures	<u>983,528</u>	<u>953,340</u>	<u>30,188</u>
Water distribution:			
Salaries and employee benefits	27,000	13,423	13,577
Water purchases	640,500	643,478	(2,978)
Supplies	25,477	20,399	5,078
Maintenance and repairs	2,000	624	1,376
Capital outlay	33,000	(29,958)	62,958
Total expenditures	<u>727,977</u>	<u>647,966</u>	<u>80,011</u>
Waste water collection:			
Salaries and employee benefits	393,815	368,619	25,196
Supplies	256,382	219,944	36,438
Maintenance and repairs	51,700	44,741	6,959
Other operating expenditures	67,201	59,829	7,372
Total expenditures	<u>769,098</u>	<u>693,133</u>	<u>75,965</u>
Debt services:			
Principal retirement	185,320	202,457	(17,137)
Interest and other charges	69,735	69,735	-
	<u>255,055</u>	<u>272,192</u>	<u>(17,137)</u>
Total expenditures	<u>2,735,658</u>	<u>2,566,631</u>	<u>169,027</u>
Revenues over (under) expenditures	<u>10,000</u>	<u>204,206</u>	<u>194,206</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 21

Water and Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
General fund	\$ (10,000)	\$ -	\$ 10,000
Appropriated fund balance		-	-
Total	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	204,206	<u>\$ 204,206</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		202,457	
Depreciation		(298,047)	
Capital project revenues		214,387	
Capital project expenditures		(43,551)	
Deferred outflows of resources for contributions made to pension plan in the current year		(903)	
Pension expense		48,418	
Change in accrued vacation		2,542	
Change in OPEB		<u>12,831</u>	
Change in net position		<u>\$ 342,340</u>	

TOWN OF BENSON, NORTH CAROLINA

Schedule 22

Water and Sewer Capital Projects Fund

Water System Improvements Capital Project (Fund 52)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2016

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
NC Rural Center Grant	\$ 500,000	\$ 450,000	\$ 50,000	\$ 500,000	\$ -
CDBG Grant	600,000	600,000	-	600,000	-
Johnston County	52,000	52,000	-	52,000	-
Total revenues	<u>1,152,000</u>	<u>1,102,000</u>	<u>50,000</u>	<u>1,152,000</u>	<u>-</u>
Expenditures:					
Public water improvements - CDBG	550,500	550,500	-	550,500	-
Administration - CDBG	49,500	49,500	-	49,500	-
Construction - Non-CDBG	781,478	852,031	-	852,031	(70,553)
Administration - rural center funds	8,000	7,668	-	7,668	332
Contingency	60,532	-	-	-	60,532
Basic engineering design	5,494	5,494	-	5,494	-
Construction observation	13,347	14,923	-	14,923	(1,576)
Land purchase / survey	11,722	7,091	-	7,091	4,631
SRF administration and fees	27,320	20,686	-	20,686	6,634
Total expenditures	<u>1,507,893</u>	<u>1,507,893</u>	<u>-</u>	<u>1,507,893</u>	<u>-</u>
Revenues over (under) expenditures	<u>(355,893)</u>	<u>(405,893)</u>	<u>50,000</u>	<u>(355,893)</u>	<u>-</u>
Other Financing Sources (Uses)					
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>355,893</u>	<u>-</u>	<u>355,893</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>50,000.00</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning as previously reported			(68,406)		
Restatement			18,406		
Fund balance, beginning as restated			<u>(50,000)</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 23

Water and Sewer Capital Projects Fund

Community Development Program Infrastructure (Fund 40)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG grant	\$ 750,000	\$ 585,639	\$ 164,361	\$ 750,000	\$ -
Interest revenue	-	35	26	61	61
Total revenues	<u>750,000</u>	<u>585,674</u>	<u>164,387</u>	<u>750,061</u>	<u>61</u>
Expenditures:					
Public water improvements	\$1,105,000	\$ 701,163	\$ 403,568	\$1,104,731	\$ 269
Administration	<u>75,000</u>	<u>73,148</u>	<u>-</u>	<u>73,148</u>	<u>1,852</u>
Total expenditures	<u>1,180,000</u>	<u>774,311</u>	<u>403,568</u>	<u>1,177,879</u>	<u>2,121</u>
Revenues over (under) expenditures	<u>(430,000)</u>	<u>(188,637)</u>	<u>(239,181)</u>	<u>(427,818)</u>	<u>2,182</u>
Other Financing Sources (Uses)					
Issuance of long-term debt	<u>430,000</u>	<u>430,000</u>	<u>-</u>	<u>430,000</u>	<u>-</u>
Total other financing sources (uses)	<u>430,000</u>	<u>430,000</u>	<u>-</u>	<u>430,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 241,363</u>	<u>(239,181)</u>	<u>\$ 2,182</u>	<u>\$ 2,182</u>
Fund balance, beginning			<u>241,363</u>		
Fund balance, ending			<u>\$ 2,182</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 24

Water and Sewer Capital Projects Fund

AMI Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Public water improvements	\$ 671,000	\$ 515,466	\$ 39,719	\$ 555,185	\$ 115,815
Electric utility improvements	425,000	447,302	3,831	451,133	(26,133)
Total expenditures	<u>1,096,000</u>	<u>962,768</u>	<u>43,550</u>	<u>1,006,318</u>	<u>89,682</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	120,000	120,000	-	120,000	-
Electric Fund	425,000	425,000	-	425,000	-
NCDENR / DWSRF Loan	551,000	-	518,266	518,266	(32,734)
Total other financing sources (uses)	<u>1,096,000</u>	<u>545,000</u>	<u>518,266</u>	<u>1,063,266</u>	<u>(32,734)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (417,768)</u>	474,716	<u>\$ 56,948</u>	<u>\$ 56,948</u>
Fund balance, beginning			<u>(417,768)</u>		
Fund balance, ending			<u>\$ 56,948</u>		

OTHER SCHEDULES

TOWN OF BENSON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Schedule 25

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 1,553,623	\$ 1,548,698	\$ 4,925
2014-2015	901	-	786	115
2013-2014	1,856	-	1,856	-
2012-2013	1,812	-	1,811	1
2011-2012	1,546	-	438	1,108
2010-2011	2,521	-	32	2,489
2009-2010	2,128	-	845	1,283
2008-2009	975	-	-	975
2007-2008	97	-	-	97
2006-2007	137	-	-	137
2005-2006	86	-	3	83
	<u>\$ 12,059</u>	<u>\$ 1,553,623</u>	<u>\$ 1,554,469</u>	11,213
Less: allowance for uncollectible accounts:				
	General Fund			(5,525)
	Ad valorem taxes receivable - net			\$ 5,688
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 1,554,039
Reconciling items:				
	Penalties and interest collected			(2,958)
	Other			3,388
	Subtotal			430
	Total collections and credits			\$ 1,554,469

TOWN OF BENSON, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2016

Schedule 26

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed					
at current rate	\$ 271,703,924	0.5300	\$1,440,031	\$1,440,031	\$ -
Motor vehicles	\$ 21,730,000	0.5300	115,169	-	115,169
Discoveries - current and prior years	226,209	0.5300	1,199	1,199	-
Penalties			2,085	984	1,101
Releases	(753,608)		(4,861)	(3,994)	(867)
Total Property Valuation	\$ 292,906,525				
Net levy			1,553,623	1,438,220	115,403
Uncollected taxes at June 30, 2016			(4,925)	(1,453)	(3,472)
Current year's taxes collected			\$1,548,698	\$1,436,767	\$ 111,931
Current levy collection percentage			99.68%	99.90%	96.99%

COMPLIANCE SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson ("the Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-001.

Town of Benson's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Rivers & Associates LLP

Raleigh, North Carolina
October 30, 2016

TOWN OF BENSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
 Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	yes	_____	✓	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	✓	yes	_____	none reported
Noncompliance material to financial statements noted	_____	yes	_____	✓	no

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF BENSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001

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
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2016

Finding 2015-001

Status: Corrected

Finding 2015-002

Status: Repeated finding as 2016-001

Finding 2015-003

Status: Corrected