

**TOWN OF BENSON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For The Year Ended June 30, 2018

Governing Board

Jerry M. Medlin, Mayor
Cassandra P. Stack
Dean McLamb
Dr. R. Max Raynor, Jr.
Maxine Holley
Jim Johnson
William Neighbors

Town Officials

Matthew Zapp, Town Manager
Terry Hobgood, 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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North Carolina Association of
Certified Public Accountants

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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, 2018, 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, 2018, 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 Changes in the Total OPEB Liability and Related Ratios on page 66, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 62 through 63, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 64 and 65 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, other schedules statistical section as well as the accompanying schedule of expenditures of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 December 18, 2018 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.

Emphasis of Matter

Adoption of New Accounting Standards

As discussed in Note X to the financial statements, for the year ended June 30, 2018 the Board adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

River & Associates LLP

Raleigh, North Carolina
December 18, 2018

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, 2018. 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

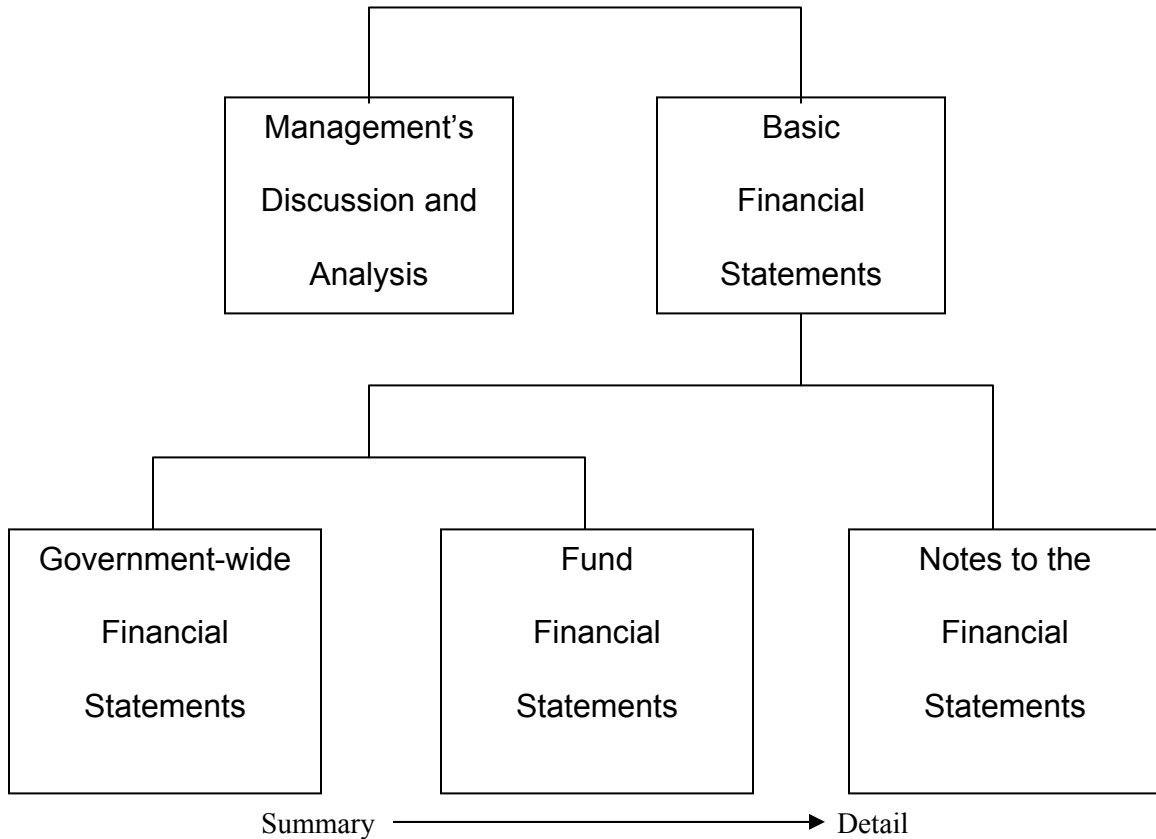
- The assets and deferred outflows of resources of the Town of Benson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,940,619 (*net position*).
- The government's total net position increased by \$556,037. This comprised of an increase in the net position from the Electric Fund of \$200,240 and an increase in the Water and Sewer Fund of \$64,057. The governmental activities' net position increased by \$571,904.
- As of the close of the current fiscal year, the Town of Benson's governmental funds reported combined ending fund balances of \$2,554,282 with a net increase of \$247,563 in fund balance. Approximately 13% of this total amount, or \$336,675, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,871,079, or 43% 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

Management Discussion and Analysis Town of Benson

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 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.

Management Discussion and Analysis Town of Benson

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and other assets	\$ 2,657,248	\$2,393,481	\$ 3,205,921	\$6,249,574	\$ 5,863,169	\$8,643,055
Capital assets, net	<u>8,141,570</u>	<u>7,813,452</u>	<u>14,460,253</u>	<u>12,016,811</u>	<u>22,601,823</u>	<u>19,830,263</u>
Total assets	<u>10,798,818</u>	<u>10,206,933</u>	<u>17,666,174</u>	<u>18,266,385</u>	<u>28,464,992</u>	<u>28,473,318</u>
Deferred Outflows of Resources	<u>234,325</u>	<u>303,939</u>	<u>169,313</u>	<u>263,252</u>	<u>403,638</u>	<u>567,191</u>
Liabilities:						
Long-term liabilities outstanding	1,380,007	1,243,534	5,382,874	3,101,108	6,762,881	4,344,642
Other liabilities	<u>706,276</u>	<u>800,350</u>	<u>1,387,928</u>	<u>4,271,586</u>	<u>2,094,204</u>	<u>5,071,936</u>
Total liabilities	<u>2,086,283</u>	<u>2,043,884</u>	<u>6,770,802</u>	<u>7,372,694</u>	<u>8,857,085</u>	<u>9,416,578</u>
Deferred Inflows of Resources	<u>60,038</u>	<u>53,245</u>	<u>10,888</u>	<u>3,693</u>	<u>70,926</u>	<u>56,938</u>
Net Position:						
Net investment in capital assets	6,988,810	6,593,855	8,850,921	8,370,913	15,839,731	14,964,768
Restricted	336,675	394,033	-	-	336,675	394,033
Unrestricted	<u>1,561,337</u>	<u>1,425,855</u>	<u>2,202,876</u>	<u>2,782,337</u>	<u>3,764,213</u>	<u>4,208,192</u>
Total net Position	<u>8,886,822</u>	<u>8,413,743</u>	<u>11,053,797</u>	<u>11,153,250</u>	<u>19,940,619</u>	<u>19,566,993</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 \$19,940,619 as of June 30, 2018. The Town's net position increased by \$556,037 for the fiscal year ended June 30, 2018. However, the largest portion (79%) 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, \$336,675 (approximately 1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,452,351 is unrestricted.

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

Management Discussion and Analysis
Town of Benson

Net position increased by \$556,037 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 839,718	\$ 779,105	\$ 7,783,766	\$ 7,455,472	\$ 8,623,484	\$ 8,234,577
Operating grants and contributions	136,139	177,937	-	-	136,139	177,937
Capital grants and contributions	809,959	322,922	-	210,321	809,959	533,243
General Revenues:						
Property taxes	1,686,858	1,697,360	-	-	1,686,858	1,697,360
Other taxes	1,261,109	1,458,438	-	-	1,261,109	1,458,438
Investment earnings, unrestricted	<u>3,204</u>	<u>2,424</u>	<u>3,813</u>	<u>2,582</u>	<u>7,017</u>	<u>5,006</u>
Total revenues	<u>4,736,987</u>	<u>4,438,186</u>	<u>7,787,579</u>	<u>7,668,375</u>	<u>12,524,566</u>	<u>12,106,561</u>
Expenses:						
General government	1,004,208	1,021,193	-	-	1,004,208	1,021,193
Public safety	1,589,730	1,610,829	-	-	1,589,730	1,610,829
Public works	353,329	341,009	-	-	353,329	341,009
Transportation	373,116	357,796	-	-	373,116	357,796
Sanitation	-	-	-	-	-	-
Culture and recreation	771,988	669,823	-	-	771,988	669,823
Water and sewer	-	-	3,103,100	2,692,751	3,103,100	2,692,751
Electric	-	-	4,700,346	4,442,075	4,700,346	4,442,075
Interest and other charges	<u>72,712</u>	<u>49,704</u>	<u>-</u>	<u>-</u>	<u>72,712</u>	<u>49,704</u>
Total expenses	<u>4,165,083</u>	<u>4,050,354</u>	<u>7,803,446</u>	<u>7,134,826</u>	<u>11,968,529</u>	<u>11,185,180</u>
Increase (decrease) in net position	<u>571,904</u>	<u>387,832</u>	<u>(15,867)</u>	<u>533,549</u>	<u>556,037</u>	<u>921,381</u>
Net Position:						
Beginning of year, as previously stated - July 1	8,413,743	8,230,437	11,153,250	10,568,810	19,566,993	18,799,247
Restatement	<u>(98,825)</u>	<u>(204,526)</u>	<u>(83,586)</u>	<u>50,891</u>	<u>(182,411)</u>	<u>(153,635)</u>
Beginning of year - July 1	<u>8,314,918</u>	<u>8,025,911</u>	<u>11,069,664</u>	<u>10,619,701</u>	<u>19,384,582</u>	<u>18,645,612</u>
End of year - June 30	<u>8,886,822</u>	<u>8,413,743</u>	<u>11,053,797</u>	<u>11,153,250</u>	<u>19,940,619</u>	<u>19,566,993</u>

Management Discussion and Analysis Town of Benson

Governmental activities. Governmental activities resulted in a decrease in the Town's net position by \$571,904. 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 decreased the Town of Benson's net position by \$15,867.

Key elements of this increase are as follows:

- Increase in capital repairs in the 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 \$2,204,942, while total fund balance reached \$2,554,282. 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 44% of total General Fund expenditures and transfers out, while total fund balance represents 51% of that same amount.

At June 30, 2018, the governmental funds of Town of Benson reported a combined fund balance of \$2,554,282, approximately a 10.75% increase 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 \$943,993. Amendments were necessary due to the receipt of local option sales taxes, as well as property taxes, which was taken into account in the original budget and, due to conservatism, used in compiling the original budget. The town also took initiative in resurfacing more streets than originally planned for, so money was appropriated from Fund Balance. The town was also very fortunate in being granted monies from the Golden Leaf Foundation, and we were able to purchase a new Fire Truck at 100% instead of putting the truck on loan, like originally planned in the budget. The final piece of the amendments in the General Fund, was the purchase of a land parcel for the use of placing a new Field House at one of our parks facilities. This parcel was sold to us at 50% donation. These amounts were not budgeted for originally and had to be amended.

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 \$1,124,337, and for the Electric Fund, \$752,062. The total change in net position decreased for the Water and Sewer and the Electric Funds was \$15,867. The decrease in the Water and Sewer

Management Discussion and Analysis
Town of Benson

fund was from the continued work at the WWTP due to Hurricane Matthew. The Town is still working with FEMA to be reimbursed for these repairs as they are done. The increase in the Electric fund was from conservative management practices within the department.

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, 2018, totals \$22,601,823 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 a new Dodge Durango for Police Department in the amount of \$33,571.47
- Purchase of a new Police Dodge Charger in the amount of \$26,181.16
- Purchase of a new Spartan Star Pumper Truck for the Fire Department in the amount of \$466,594.53
- Purchase of a 2 new Ford F150’s for the Water/Sewer Department in the amount of \$60,443.50
- Purchase of a 2017 F550 Dump Truck for the Water/Sewer Department in the amount of \$52,210.00
- Purchase of a Land Parcel for a new Field House in Parks & Recreation in the amount of \$102,500.00
- Purchase of a Land Parcel for a new pump station in the Water/Sewer Department in the amount of \$15,618.00
- Replacement of roof for the New Public Works Building, previously purchased in FY 2017, in the amount of \$142,788.19

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 773,291	\$ 671,025	\$ 28,870	\$ 28,870	\$ 802,161	\$ 699,895
Buildings and improvements	6,082,221	6,279,738	5,593,536	5,191,379	11,675,757	11,471,117
Infrastructure	103,797	73,452	-	-	103,797	73,452
Furniture, equipment, and machinery	479,260	542,222	103,773	140,498	583,033	682,720
Vehicles	703,001	247,015	255,957	175,039	958,958	422,054
Plant and distribution systems	-	-	5,798,692	6,214,294	5,798,692	6,214,294
Construction in progress	-	-	2,679,425	266,731	2,679,425	266,731
Total	<u>8,141,570</u>	<u>7,813,452</u>	<u>14,460,253</u>	<u>12,016,811</u>	<u>22,601,823</u>	<u>19,830,263</u>

Management Discussion and Analysis
Town of Benson

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue bonds	\$ -	\$ -	\$ 895,000	\$ 910,000	\$ 895,000	\$ 910,000
Note payable	<u>1,152,760</u>	<u>1,219,597</u>	<u>4,714,332</u>	<u>5,351,073</u>	<u>5,867,092</u>	<u>6,570,670</u>
Total	<u>1,152,760</u>	<u>1,219,597</u>	<u>5,609,332</u>	<u>6,261,073</u>	<u>6,762,092</u>	<u>7,480,670</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 \$30,591,615.

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.

- Management’s comprehensive emphasis on economic development continues to aid in the expansion of current industry and attract new business. The town is currently working on a transportation study that will aid in the growth that Benson is moving into.
- Occupancy rates on office and retail space. The Town of Benson’s occupancy overall rate remains 90% for the year. Management expects that the occupancy rate for fiscal year 2019 will increase due to increased requests for space.
- Currently, there are no vacant industrial structures in Benson. There is 100% occupancy. The greatest demand to date is for shell building (move in ready) space.
- Residential construction statistics are on the rise. New home construction in Benson is at an all-time high.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities. Overall, General Fund revenues are budgeted to be approximately .9% lower than 2018 actual amounts.

Business-type Activities: Water and Sewer Fund revenues are budgeted to be approximately .95% less than 2018 actual amounts. Electric Fund revenues are budgeted to be approximately .98% less than 2018 actual amounts.

Management Discussion and Analysis
Town of Benson

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, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,288,197	\$ 1,549,987	\$ 3,838,184
Taxes receivables (net)	4,685	-	4,685
Accounts receivable	45,567	792,967	838,534
Due from other governments	238,821	36,202	275,023
Due from other funds	-	-	-
Inventories	-	256,750	256,750
Restricted cash	79,978	570,015	649,993
Total current assets	<u>2,657,248</u>	<u>3,205,921</u>	<u>5,863,169</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	773,291	2,708,295	3,481,586
Other capital assets, net of depreciation	7,368,279	11,751,958	19,120,237
Total capital assets	<u>8,141,570</u>	<u>14,460,253</u>	<u>22,601,823</u>
Total assets	<u>10,798,818</u>	<u>17,666,174</u>	<u>28,464,992</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	83,326	66,046	149,372
OPEB deferrals	2,112	1,973	4,085
Pension deferrals	148,887	101,294	250,181
Total deferred outflows of resources	<u>234,325</u>	<u>169,313</u>	<u>403,638</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	98,219	415,965	514,184
Due to other governments	-	23,565	23,565
Customer deposits	-	258,153	258,153
Current portion of long-term liabilities	69,005	275,060	344,065
Total current liabilities	<u>167,224</u>	<u>972,743</u>	<u>1,139,967</u>
Long-term liabilities:			
Net pension liability	261,254	231,146	492,400
Total pension liability	277,798	184,039	461,837
Due in more than one year	1,380,007	5,382,874	6,762,881
Total liabilities	<u>2,086,283</u>	<u>6,770,802</u>	<u>8,857,085</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	61	-	61
OPEB Deferrals	12,208	11,405	23,613
Pension deferrals	47,769	(517)	47,252
Total deferred inflows of resources	<u>60,038</u>	<u>10,888</u>	<u>70,926</u>
NET POSITION			
Net investment in capital assets	6,988,810	9,162,783	16,151,593
Restricted for:			
Stabilization by State Statue	256,697	-	256,697
Debt service	77,166	-	77,166
Economic and physical development	2,812	-	2,812
Unrestricted	1,561,337	1,891,014	3,452,351
Total net position	<u>\$ 8,886,822</u>	<u>\$ 11,053,797</u>	<u>\$ 19,940,619</u>

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, 2018

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,004,208	\$ 273,988	\$ -	\$ 238,431	\$ (491,789)	\$ -	\$ (491,789)
Public safety	1,589,730	3,650	136,139	432,774	(1,017,167)	-	(1,017,167)
Transportation	353,329	-	-	103,754	(249,575)	-	(249,575)
Environmental protection	373,116	383,699	-	-	10,583	-	10,583
Cultural and recreation	771,988	178,381	-	35,000	(558,607)	-	(558,607)
Interest on long-term debt	72,712	-	-	-	(72,712)	-	(72,712)
Total governmental activities	<u>4,165,083</u>	<u>839,718</u>	<u>136,139</u>	<u>809,959</u>	<u>(2,379,267)</u>	<u>-</u>	<u>(2,379,267)</u>
Business-type activities:							
Electric	4,700,346	4,596,699	-	-	-	(103,647)	(103,647)
Water and sewer	3,103,100	3,187,067	-	-	-	83,967	83,967
Total business-type activities	<u>7,803,446</u>	<u>7,783,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,680)</u>	<u>(19,680)</u>
Total primary government	<u>\$ 11,968,529</u>	<u>\$ 8,623,484</u>	<u>\$ 136,139</u>	<u>\$ 809,959</u>	<u>(2,379,267)</u>	<u>(19,680)</u>	<u>(2,398,947)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,686,858	-	1,686,858
Other taxes					1,111,045	-	1,111,045
Unrestricted investment earnings					3,204	3,813	7,017
Miscellaneous					150,064	-	150,064
Transfers					-	-	-
Total general revenues and transfers					<u>2,951,171</u>	<u>3,813</u>	<u>2,954,984</u>
Change in net position					571,904	(15,867)	556,037
Net position, beginning, previously reported					8,413,743	11,153,250	19,566,993
Restatement					(98,825)	(83,586)	(182,411)
Net position, beginning, as restated					<u>8,314,918</u>	<u>11,069,664</u>	<u>19,384,582</u>
Net position, ending					<u>\$ 8,886,822</u>	<u>\$ 11,053,797</u>	<u>\$ 19,940,619</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, 2018

	<u>Major Fund</u> <u>General</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,943,681	\$ 344,516	\$ 2,288,197
Restricted cash	77,166	2,812	79,978
Taxes receivable - net	4,685	-	4,685
Accounts receivable	45,566	1	45,567
Due from other governments	236,810	2,011	238,821
Total assets	<u>\$ 2,307,908</u>	<u>\$ 349,340</u>	<u>\$ 2,657,248</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 98,219	\$ -	\$ 98,219
Total liabilities	<u>98,219</u>	<u>-</u>	<u>98,219</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes, licenses and fees	61	-	61
Taxes receivable	4,686	-	4,686
Total deferred inflows of resources	<u>4,747</u>	<u>-</u>	<u>4,747</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	256,697	-	256,697
Other	77,166	2,812	79,978
Committed	-	344,516	344,516
Unassigned	1,871,079	2,012	1,873,091
Total fund balances	<u>2,204,942</u>	<u>349,340</u>	<u>2,554,282</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,307,908</u>	<u>\$ 349,340</u>	<u>\$ 2,657,248</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, 2018

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 2,554,282
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	12,011,948	
Accumulated depreciation	<u>(3,870,378)</u>	8,141,570
Deferred outflows of resources related to pensions are not reported in the funds		
		232,213
Deferred outflows of resources related to OPEB are not reported in the funds		
		2,112
Earned revenues considered deferred inflows of resources in fund statements.		
		4,686
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).	(1,252,018)	
OPEB liability	(196,994)	
Net pension liability	(261,254)	
Total pension liability	<u>(277,798)</u>	(1,988,064)
Deferred inflows of resources related to pensions are not reported in the funds		
		(47,769)
Deferred inflows of resources related to OPEB are not reported in the funds		
		<u>(12,208)</u>
Net position of governmental activities		<u><u>\$ 8,886,822</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, 2018

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	\$ 1,694,842	\$ -	\$ 1,694,842
Other taxes and licenses	1,095,968	-	1,095,968
Unrestricted intergovernmental	15,077	-	15,077
Restricted intergovernmental	454,324	55,000	509,324
Permits and fees	839,718	-	839,718
Investment earnings	1,985	1,219	3,204
Miscellaneous	546,182	31,971	578,153
Total revenues	<u>4,648,096</u>	<u>88,190</u>	<u>4,736,286</u>
EXPENDITURES			
Current:			
General government	609,990	33,957	643,947
Public safety	1,946,319	42,017	1,988,336
Public works	251,235	-	251,235
Transportation	349,589	3,740	353,329
Environmental protection	373,116	-	373,116
Cultural and recreational	704,206	34,995	739,201
Debt service:			
Principal	66,848	25,915	92,763
Interest	46,796	-	46,796
Total expenditures	<u>4,348,099</u>	<u>140,624</u>	<u>4,488,723</u>
Excess (deficiency) of revenues over expenditures	<u>299,997</u>	<u>(52,434)</u>	<u>247,563</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Insurance recovery	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	299,997	(52,434)	247,563
Fund balances, beginning	<u>1,904,945</u>	<u>401,774</u>	<u>2,306,719</u>
Fund balances, ending	<u>\$ 2,204,942</u>	<u>\$ 349,340</u>	<u>\$ 2,554,282</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, 2018

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$	247,563
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$	663,613
Depreciation expense for governmental assets	<u>(328,930)</u>	334,683
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		83,326
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(705)
<p>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.</p>		
Principal payments on long-term debt	<u>66,847</u>	66,847
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>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.</p>		
Compensated absences	(21,686)	
Other	(7,845)	
Pension expense	(102,024)	
OPEB plan expense	<u>(28,255)</u>	<u>(159,810)</u>
Total changes in net position of governmental activities		<u>\$ 571,904</u>

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, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,667,119	\$ 1,694,862	\$ 1,694,842	\$ (20)
Other taxes and licenses	839,300	1,042,275	1,095,968	53,693
Unrestricted intergovernmental	13,500	15,100	15,077	(23)
Restricted intergovernmental	402,335	459,958	454,324	(5,634)
Permits and fees	696,475	848,532	839,718	(8,814)
Investment earnings	500	2,000	1,985	(15)
Miscellaneous	33,501	533,996	546,182	12,186
Total revenues	<u>3,652,730</u>	<u>4,596,723</u>	<u>4,648,096</u>	<u>51,373</u>
Expenditures:				
Current:				
General government	495,022	680,644	609,990	70,654
Public safety	1,508,761	2,105,329	1,946,319	159,010
Public works	209,750	287,741	251,235	36,506
Transportation	305,188	401,000	349,589	51,411
Environmental protection	369,800	387,756	373,116	14,640
Cultural and recreational	674,471	724,082	704,206	19,876
Debt service:				
Principal	113,635	66,911	66,848	63
Interest	25,360	46,796	46,796	-
Total expenditures	<u>3,701,987</u>	<u>4,700,259</u>	<u>4,348,099</u>	<u>352,160</u>
Revenues over (under) expenditures	<u>(49,257)</u>	<u>(103,536)</u>	<u>299,997</u>	<u>403,533</u>
Other financing sources (uses):				
Transfers from other funds	16,000	-	-	-
Transfers to other funds	(2,107)	-	-	-
Insurance recovery	-	-	-	-
Fund balance appropriated	35,364	103,536	-	(103,536)
Total other financing sources (uses)	<u>49,257</u>	<u>103,536</u>	<u>-</u>	<u>(103,536)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>299,997</u>	<u>\$ 299,997</u>
Fund balance, beginning			<u>1,904,945</u>	
Fund balance, ending			<u>\$ 2,204,942</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, 2018

	Major Enterprise Funds		Total Non-Major Funds	Total
	Electric Fund	Water and Sewer Fund		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 590,052	\$ 948,088	\$ 11,847	\$ 1,549,987
Accounts receivable - net	457,683	335,284	-	792,967
Due from other governments	14,488	18,946	2,768	36,202
Inventories	142,910	113,840	-	256,750
Restricted cash and cash equivalents	215,442	354,573	-	570,015
Total current assets	<u>1,420,575</u>	<u>1,770,731</u>	<u>14,615</u>	<u>3,205,921</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	2,708,295	-	2,708,295
Other capital assets, net of depreciation	399,256	11,352,702	-	11,751,958
Total capital assets	<u>399,256</u>	<u>14,060,997</u>	<u>-</u>	<u>14,460,253</u>
Total noncurrent assets	<u>399,256</u>	<u>14,060,997</u>	<u>-</u>	<u>14,460,253</u>
Total assets	<u>1,819,831</u>	<u>15,831,728</u>	<u>14,615</u>	<u>17,666,174</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	26,030	40,016	-	66,046
OPEB deferrals	759	1,214	-	1,973
Pension deferrals	39,686	61,608	-	101,294
	<u>66,475</u>	<u>102,838</u>	<u>-</u>	<u>169,313</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	311,360	104,605	-	415,965
Due to other governments	23,565	-	-	23,565
Customer deposits	215,442	42,711	-	258,153
Compensated absences, current	10,000	25,000	-	35,000
Current portion of long-term debt	-	240,060	-	240,060
Total current liabilities	<u>560,367</u>	<u>412,376</u>	<u>-</u>	<u>972,743</u>
Noncurrent liabilities:				
Accrued vacation	6,712	6,890	-	13,602
Other postemployment benefits	70,796	113,243	-	184,039
Net pension liability	89,402	141,744	-	231,146
Non-current portion of long-term debt	-	5,369,272	-	5,369,272
Total noncurrent liabilities	<u>166,910</u>	<u>5,631,149</u>	<u>-</u>	<u>5,798,059</u>
Total liabilities	<u>727,277</u>	<u>6,043,525</u>	<u>-</u>	<u>6,770,802</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB deferrals	4,387	7,018	-	11,405
Pension deferrals	3,324	(3,841)	-	(517)
	<u>7,711</u>	<u>3,177</u>	<u>-</u>	<u>10,888</u>
NET POSITION				
Net investment in capital assets	399,256	8,763,527	-	9,162,783
Unrestricted	752,062	1,124,337	14,615	1,891,014
Total net position	<u>\$ 1,151,318</u>	<u>\$ 9,887,864</u>	<u>\$ 14,615</u>	<u>\$ 11,053,797</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, 2018

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	\$ 4,569,546	\$ 2,770,566	\$ -	\$ 7,340,112
Other operating revenues	27,153	416,501	-	443,654
Total operating revenues	<u>4,596,699</u>	<u>3,187,067</u>	<u>-</u>	<u>7,783,766</u>
OPERATING EXPENSES				
General operations	-	1,036,629	-	1,036,629
Electric operations	1,293,811	-	-	1,293,811
Power / water purchases	2,965,555	597,018	-	3,562,573
Equipment and line improvements	238,061	10,484	152,664	401,209
Water distribution	-	101,394	-	101,394
Waste water collection	-	862,080	-	862,080
Depreciation	50,255	371,444	-	421,699
Total operating expenses	<u>4,547,682</u>	<u>2,979,049</u>	<u>152,664</u>	<u>7,679,395</u>
Operating income (loss)	<u>49,017</u>	<u>208,018</u>	<u>(152,664)</u>	<u>104,371</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	1,223	2,590	-	3,813
Interest and other charges	-	(124,051)	-	(124,051)
Total nonoperating revenues (expenses)	<u>1,223</u>	<u>(121,461)</u>	<u>-</u>	<u>(120,238)</u>
Income (loss) before contributions and transfers	50,240	86,557	(152,664)	(15,867)
Transfer from other funds	150,000	74,320	22,500	246,820
Transfer to other funds	-	(96,820)	(150,000)	(246,820)
Change in net position	200,240	64,057	(280,164)	(15,867)
Beginning net position, as previously reported	976,796	9,881,675	294,779	11,153,250
Restatement	(25,718)	(57,868)	-	(83,586)
Beginning net position, restated	951,078	9,823,807	294,779	11,069,664
Total net position, ending	<u>\$ 1,151,318</u>	<u>\$ 9,887,864</u>	<u>\$ 14,615</u>	<u>\$ 11,053,797</u>

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 8

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	Major Enterprise Funds			Total
	Electric Fund	Water and Sewer Fund	Total Non-Major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,540,879	\$ 2,769,719	\$ 7,058	\$ 7,317,656
Cash paid for goods and services	(4,016,723)	(1,703,128)	(152,664)	(5,872,515)
Cash paid to or on behalf of employees for services	(436,387)	(870,400)	-	(1,306,787)
Customer deposits received	2,913	5,563	-	8,476
Other operating revenues	27,153	416,501	-	443,654
Net cash provided (used) by operating activities	117,835	618,255	(145,606)	590,484
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer (to) from other funds	-	(22,500)	22,500	-
Total cash flow from noncapital financing activities	-	(22,500)	22,500	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on bonds/loans	-	(651,741)	-	(651,741)
Interest paid on bonds/loans	-	(124,051)	-	(124,051)
Acquisition and construction of capital assets	-	(2,794,952)	(70,189)	(2,865,141)
Net cash provided (used) by capital and related financing activities	-	(3,570,744)	(70,189)	(3,640,933)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,223	2,590	-	3,813
Net cash provided (used) by investing activities	1,223	2,590	-	3,813
Net increase (decrease) in cash and cash equivalents	119,058	(2,972,399)	(193,295)	(3,046,636)
Balances, beginning	686,436	4,275,060	205,142	5,166,638
Balances, ending	\$ 805,494	\$ 1,302,661	\$ 11,847	\$ 2,120,002
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 49,017	\$ 208,018	\$ (152,664)	\$ 104,371
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,255	371,444	-	421,699
Loss on disposal of capital assets	-	-	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(27,672)	2,470	-	(25,202)
Decrease (increase) in due from other governments	(995)	(3,317)	7,058	2,746
Increase in net pension liability	(34,029)	(54,411)	-	(88,440)
Increase (decrease) in accounts payable and accrued liabilities	33,268	(6,809)	-	26,459
Decrease (increase) in inventories	(2,582)	22,055	-	19,473
Increase (decrease) in customer deposits	2,913	5,563	-	8,476
Increase (decrease) in accrued vacation	5,888	6,445	-	12,333
(Increase) decrease in deferred outflows of resources for pensions	36,145	57,794	-	93,939
Decrease (increase) in deferred inflows of resources - pensions	2,767	4,428	-	7,195
Increase (decrease) in other postemployment benefits	2,860	4,575	-	7,435
Total adjustments	68,818	410,237	7,058	486,113
Net cash provided by operating activities	\$ 117,835	\$ 618,255	\$ (145,606)	\$ 590,484

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, 2018

	<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, 2018

Exhibit 10

	Fiduciary Fund
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ -
Change in net position	-
NET POSITION	
Beginning of year, July 1	26,751
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, 2018

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, 2018

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 and Hurricane Matthew Insurance Proceeds Fund are the Town's only special revenue funds.

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 five capital project funds: Street Paving Project, Voluntary Demolition Project, Bark Park Project, BFA Lighting System, 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, 2018

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, 2018

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, 2018

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 Government 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, 2018

I. Summary of Significant Accounting Policies (Continued)

Town of Benson Restricted Cash

Governmental Activities:

General Fund:

Debt Service	\$ 77,166
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Other governmental funds:

USDA Grant Fund

Economic and physical development	2,812
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Total governmental activities	<u>79,978</u>
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Business-type Activities:

Electric Fund:

Customer deposits	215,442
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Water and Sewer Fund:

Unspent debt proceeds	311,862
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Customer deposits	42,711
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Total Business-type Activities	<u>570,015</u>
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Private Purpose Trust Fund:

J.L. George Endowment

Beautification Grant Trust Fund	<u>26,751</u>
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Total Restricted Cash	<u>\$ 676,744</u>
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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, 2018

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, 2018

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 2018 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 pension deferrals.

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, 2018

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 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, 2018

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

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

Committed for Safety – portion of fund balances that is committed to the Voluntary Demolition Project and Power Line and Tree Trimming 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-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

12. Defined Benefit Cost-Sharing Plans

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (Continued)

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.

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, 2018

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2018, the Town's deposits had a carrying amount of \$4,487,877 and a bank balance of \$4,589,011. 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, 2018, the Town's petty cash fund totaled \$300.

2. Investments

As of June 30, 2018, 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, 2018. 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 \$567.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 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	\$ 8,997	\$ 49,663	\$ 238,821	\$ 297,481
Allowance for doubtful accounts	(4,312)	(4,096)	-	(8,408)
Total governmental activities	<u>\$ 4,685</u>	<u>\$ 45,567</u>	<u>\$ 236,810</u>	<u>\$ 289,073</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 605,834	\$ 14,488	\$ 620,322
Water and Sewer Fund	-	594,038	18,946	612,984
Total receivables	<u>-</u>	<u>1,199,872</u>	<u>33,434</u>	<u>1,233,306</u>
Allowance for doubtful accounts	-	(406,905)	-	(406,905)
Total business-type activities	<u>\$ -</u>	<u>\$ 792,967</u>	<u>\$ 33,434</u>	<u>\$ 826,401</u>

Due from other governments consisted of the following:

Sales tax refund	<u>\$ 33,434</u>
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TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Balance			Balance
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 670,791	\$ 102,500	\$ -	\$ 773,291
Construction in Progress	234	34,766	35,000	-
Total capital assets not being depreciated	<u>671,025</u>	<u>137,266</u>	<u>35,000</u>	<u>773,291</u>
Capital assets being depreciated:				
Buildings and structures	8,614,604	-	-	8,614,604
Infrastructure	96,888	35,000	-	131,888
Furniture, equipment, and machinery	1,054,403	-	-	1,054,403
Vehicles	1,211,299	526,347	299,884	1,437,762
Total capital assets being depreciated	<u>10,977,194</u>	<u>561,347</u>	<u>299,884</u>	<u>11,238,657</u>
Less Accumulated Depreciation:				
Buildings and structures	2,334,866	197,517	-	2,532,383
Infrastructure	23,435	4,656	-	28,091
Furniture, equipment, and machinery	512,181	62,962	-	575,143
Vehicles	964,285	63,795	293,319	734,761
Total accumulated depreciation	<u>3,834,767</u>	<u>328,930</u>	<u>293,319</u>	<u>3,870,378</u>
Total capital assets being depreciated, net	<u>7,142,427</u>			<u>7,368,279</u>
Governmental activities capital assets, net	<u>\$ 7,813,452</u>			<u>\$ 8,141,570</u>

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

General government	\$ 162,996
Public safety	57,994
Public work	82,001
Cultural and recreation	25,939
	<u>\$ 328,930</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

	Balance			Balance
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 79,811	\$ 70,189	\$ 150,000	\$ -
Total capital assets not being depreciated	<u>79,811</u>	<u>70,189</u>	<u>150,000</u>	<u>-</u>
Capital assets being depreciated:				
Electrical system	2,061,037	150,000	-	2,211,037
Furniture and equipment	232,432	-	-	232,432
Vehicles	362,639	-	-	362,639
Total capital assets being depreciated	<u>2,656,108</u>	<u>150,000</u>	<u>-</u>	<u>2,806,108</u>
Less Accumulated Depreciation:				
Electrical system	1,806,396	41,221	-	1,847,617
Furniture and equipment	227,812	1,969	-	229,781
Vehicles	322,389	7,065	-	329,454
Total accumulated depreciation	<u>2,356,597</u>	<u>50,255</u>	<u>-</u>	<u>2,406,852</u>
Total capital assets being depreciated, net	<u>299,511</u>			<u>399,256</u>
Electric fund capital assets, net	<u>379,322</u>			<u>399,256</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

4. Capital Assets (Continued)

	Balance			Balance
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 28,870	\$ -	\$ -	\$ 28,870
Construction in progress	186,920	2,492,505	-	2,679,425
Total capital assets not being depreciated	<u>215,790</u>	<u>2,492,505</u>	<u>-</u>	<u>2,708,295</u>
Capital assets being depreciated:				
Buildings and structures	7,446,204	189,775	-	7,635,979
Water and sewer systems	8,329,658	19	-	8,329,677
Furniture and equipment	863,991	-	-	863,991
Vehicles	190,411	112,653	13,600	289,464
Total capital assets being depreciated	<u>16,830,264</u>	<u>302,447</u>	<u>13,600</u>	<u>17,119,111</u>
Less Accumulated Depreciation:				
Buildings and structures	2,254,825	151,038	-	2,405,863
Water and sewer systems	2,370,005	160,980	-	2,530,985
Furniture and equipment	728,113	34,756	-	762,869
Vehicles	55,622	24,670	13,600	66,692
Total accumulated depreciation	<u>5,408,565</u>	<u>371,444</u>	<u>13,600</u>	<u>5,766,409</u>
Total capital assets being depreciated, net	<u>11,421,699</u>			<u>11,352,702</u>
Water and sewer fund capital assets, net	<u>11,637,489</u>			<u>14,060,997</u>
Business-type activities capital assets, net	<u>\$ 12,016,811</u>			<u>\$ 14,460,253</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

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.

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$149,372 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$492,400 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.03222%, which was an increase of 00.00040% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$154,650. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,357	\$ 13,934
Changes of assumptions	70,298	-
Net difference between projected and actual earnings on pension plan investments	119,515	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,251	29,129
Town contributions subsequent to the measurement date	149,372	-
Total	<u>\$ 368,793</u>	<u>\$ 43,063</u>

\$149,372 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 14,941
2020	\$ 131,974
2021	\$ 68,827
2022	\$ (39,384)
2023	\$ -
Thereafter	\$ -

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2018

III. Detail Notes on All Funds (Continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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, 2018

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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 1,477,693	\$ 492,400	\$ (330,316)

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

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 County law enforcement officers are covered by the Separation Allowance.

At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	12
Total	12

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

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 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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$277,798. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$28,255.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,675	\$ -
Changes of assumptions	15,916	4,189
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 30,591	\$ 4,189

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 6,495	\$ 910
2020	6,495	910
2021	6,495	910
2022	6,495	910
2023	4,611	549
Thereafter	-	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 303,746	\$ 277,798	\$ 253,983

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2018
Beginning balance	\$ 218,042
Service Cost	14,254
Interest on the total pension liability	8,416
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	17,791
Changes of assumptions or other inputs	19,295
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 277,798

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 154,650	\$ 28,255	\$ 182,905
Pension Liability	492,400	277,798	770,198
Proportionate share of the net pension liability	0.03222%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	28,357	14,675	43,032
Changes of assumptions	70,298	15,916	86,214
Net difference between projected and actual earnings on plan investments	119,515	-	119,515
Changes in proportion and differences between contributions and proportionate share of contributions	1,251	-	1,251
Benefit payments and administrative costs paid subsequent to the measurement date	149,372	-	149,372
 Deferred of Inflows of Resources			
Differences between expected and actual experience	13,934	-	13,934
Changes of assumptions	-	4,189	4,189
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	29,129	-	29,129

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, 2018

III. Detail Notes on All Funds (Continued)

d. Supplemental Retirement Income Plan for Employees

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, 2018 were \$26,797, which consisted of \$24,377 from the Town and \$2,420 from the 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 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, 2018 were \$97,844, which consisted of \$75,097 from the Town and \$22,747 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). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council 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, 2018

III. Detail Notes on All Funds (Continued)

Retired Employees' Years of Creditable	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by City	Not eligible for coverage
20+ years	Full coverage paid for by City	Full coverage paid for by City

Membership of the HCB plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	1	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	35	10
Total	36	10

Total OPEB Liability

The Town's total OPEB liability of \$381,033 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 -7.75 percent
Discount rate	3.56 percent
Healthcare cost trend rates	7.50 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2017	\$ 365,640
Changes for the year	
Service cost	36,003
Interest	10,861
Changes of benefit terms	-
Differences between expected and actual experience	4,555
Changes in assumptions or other inputs	(26,331)
Benefit payments	<u>(9,695)</u>
Net changes	<u>15,393</u>
Balance at 6/30/2018	<u><u>\$ 381,033</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.56%)	1% Increase
Total OPEB liability	\$ 430,307	\$ 381,033	\$ 337,676

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (3.56%)	1% Increase
Total OPEB liability	\$ 325,098	\$ 381,033	\$ 449,315

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$44,617. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,085	\$ -
Changes of assumptions	-	(23,614)
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 4,085	\$ (23,614)

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	(2,247)
2020		(2,247)
2021		(2,247)
2022		(2,247)
2023		(8,294)
Thereafter		-

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, 2018

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:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 149,372
OPEB deferrals	4,085
Pension deferrals	250,181
Total	<u>\$ 403,638</u>

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

Source	Amount
Pension deferrals	\$ 47,252
Prepaid taxes	61
OPEB deferrals	23,613
Total	<u>\$ 70,926</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, 2018

III. Detail Notes on All Funds (Continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2018, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. 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. \$ 449,158

\$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. 500,324

\$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 203,278

Total governmental activities notes payable \$ 1,152,760

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2018 are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2019	\$ 69,005	\$ 44,638	\$ 113,643
2020	71,228	42,415	113,643
2021	73,552	40,091	113,643
2022	75,951	37,685	113,643
2023	78,428	35,208	113,636
2024-2028	281,909	140,398	422,307
2029-2033	302,194	83,636	385,830
2034-2036	200,502	108,162	308,660
Total	<u><u>\$ 1,152,760</u></u>	<u><u>\$ 532,239</u></u>	<u><u>\$ 1,685,003</u></u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

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	\$ 875,000
\$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	275,180
\$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	159,667
\$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	172,800
\$2,802,000 Water and Sewer System Revenue Bond Anticipation Note issued June 20, 2018 payable in escalating annual installments, including interest at 1.625% with final payment due in June 2058.	2,802,000
\$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>429,685</u>
Total enterprise funds notes payable	<u>\$ 4,714,332</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>\$ 895,000</u>
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TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

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, 2018 are as follows:

Operating revenues	\$ 2,770,566
Operating expenses*	<u>2,607,605</u>
Operating income	162,961
Non-operating revenues (expenses)**	<u>2,590</u>
Income available for debt service	<u><u>\$ 165,551</u></u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 45,242</u>
Debt service coverage ratio	<u>365.9%</u>
Subordinated Debt Service:	
Debt service, principal, and interest paid (Subordinated Debt Service only)	<u>\$ 249,755</u>
Debt service coverage ratio	<u>66.2%</u>

*Per rate covenants, this does not include the depreciation expense of \$371,444.

**Per rate covenants, this does not include interest paid of \$124,051.

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 \$1,448,744. Principal and interest paid for the current year and total customer net revenues were \$45,242 and \$165,551 respectively.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

The future minimum payments of the Business-type activities long-term debt as of June 30, 2018 are as follows:

Notes Payable:

Year Ending				
June 30	Principal	Interest	Total	
2019	\$ 224,060	\$ 88,920	\$ 312,980	
2020	222,895	88,103	310,998	
2021	224,759	84,257	309,016	
2022	223,051	80,383	303,434	
2023	224,974	76,478	301,452	
2024-2028	1,103,498	338,706	1,442,204	
2029-2033	538,094	245,000	783,094	
2034-2038	330,000	220,000	550,000	
2039-2043	359,000	191,000	550,000	
2044-2048	388,000	162,000	550,000	
2049-2053	422,000	128,000	550,000	
2054-2058	454,000	96,000	550,000	
Total	<u>\$ 4,714,332</u>	<u>\$ 1,798,847</u>	<u>\$ 6,513,179</u>	

Revenue Bonds Payable:

Year Ending				
June 30	Principal	Interest	Total	
2019	\$ 16,000	\$ 29,242	\$ 45,242	
2020	17,000	28,242	45,242	
2021	17,000	28,242	45,242	
2022	18,000	27,242	45,242	
2023	18,000	27,242	45,242	
2024-2028	102,000	124,210	226,210	
2029-2033	119,000	107,210	226,210	
2034-2038	140,000	86,210	226,210	
2039-2043	165,000	61,210	226,210	
2044-2048	195,000	31,210	226,210	
2049-2052	88,000	3,484	91,484	
Total	<u>\$ 895,000</u>	<u>\$ 553,744</u>	<u>\$ 1,448,744</u>	

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

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

	Balance July 1, 2017 (as restated)	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental Activities:					
Notes payable	\$ 1,219,597	\$ -	\$ (66,837)	\$ 1,152,760	\$ 69,005
Compensated absences	77,572	21,686	-	99,258	-
Net pension liability (LGRS)	355,739	-	(94,485)	261,254	-
Total pension liability	218,042	59,756	-	277,798	-
Total OPEB liability	189,036	7,958	-	196,994	-
Total governmental activities	<u>\$ 2,059,986</u>	<u>\$ 89,400</u>	<u>\$ (161,322)</u>	<u>\$ 1,988,064</u>	<u>\$ 69,005</u>
Business-Type Activities:					
Water and Sewer Fund:					
Revenue bonds	\$ 910,000	\$ -	\$ (15,000)	\$ 895,000	\$ 16,000
Notes payable	5,351,073	-	(636,741)	4,714,332	224,060
Compensated absences	25,445	6,445	-	31,890	25,000
Net pension liability (LGRS)	196,155	-	(54,411)	141,744	-
Total OPEB liability	108,668	4,575	-	113,243	-
Total	<u>6,591,341</u>	<u>11,020</u>	<u>(706,152)</u>	<u>5,896,209</u>	<u>265,060</u>
Electric Fund:					
Compensated absences	10,824	5,888	-	16,712	10,000
Net pension liability (LGRS)	123,431	-	(34,029)	89,402	-
Total OPEB liability	67,936	2,860	-	70,796	-
Total	<u>202,191</u>	<u>8,748</u>	<u>(34,029)</u>	<u>176,910</u>	<u>10,000</u>
Total business-type activities	<u>\$ 6,793,532</u>	<u>\$ 19,768</u>	<u>\$ (740,181)</u>	<u>\$ 6,073,119</u>	<u>\$ 275,060</u>

The Town has a legal debt margin of \$30,591,615 at June 30, 2018.

6. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2018 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 8,141,570	\$ 14,460,253
Less: long-term debt	(1,152,760)	(5,609,332)
Plus: unspent bond proceeds	-	311,862
Net investment in capital assets	<u>\$ 6,989,810</u>	<u>\$ 9,162,783</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018, consist of the following:

From Water and Sewer Fund to WTTP Pump Station to fund capital project	\$ 44,793
From Water and Sewer Fund to AIA Project to fund capital project	22,500
From Water and Sewer Fund to AMI Project to fund capital project	29,527
From Leath CO. Project to Electric Fund to close out and capitalize project	150,000

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.

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	\$ 2,204,942
Less:	
Stabilization by State Statute	256,697
Debt Service	77,166
Appropriated Fund Balance in 2017 budget	-
Remaining Fund Balance	\$ 1,871,079

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, 2018.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

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, 2018 were \$2,965,555.

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. Concentration of Risk

For the year ended June 30, 2018, approximately 60% of total water and sewer charges for services related to one company.

IX. Significant Effects of Subsequent Events

Subsequent events have been evaluated through December 18, 2018, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

X. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$98,825 and \$83,586 for the business-type activities.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule 1

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Benson's proportion of the net pension liability (asset) (%)	0.0322%	0.0318%	0.0299%	0.0767%	0.0759%
Benson's proportion of the net pension liability (asset) (\$)	\$ 492,400	675,327	\$ 134,189	\$ (204,406)	\$ 394,161
Benson's covered-employee payroll	\$1,768,900	\$1,710,660	\$1,668,796	\$1,676,702	\$1,697,774
Benson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.84%	39.48%	8.04%	-12.19%	23.22%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.47%	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 Five Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 149,372	\$ 132,530	\$ 117,643	\$ 119,438	\$ 119,499
Contributions in relation to the contractually required contribution	<u>149,372</u>	<u>132,530</u>	<u>117,643</u>	<u>119,438</u>	<u>119,499</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Benson's covered-employee payroll	\$ 1,939,861	\$ 1,768,900	\$ 1,710,660	\$ 1,668,796	\$ 1,676,702
Contribution as a percentage of covered-employee payroll	7.70%	7.49%	6.88%	7.16%	7.13%

TOWN OF BENSON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2018

Schedule 3

	2018	2017
Beginning balance	\$ 218,042	\$ 204,526
Service Cost	14,254	12,223
Interest on the total pension liability	8,416	7,302
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,791	-
Changes of assumptions or other inputs	19,295	(6,009)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	\$ 277,798	\$ 218,042

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

TOWN OF BENSON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2018

Schedule 4

	2018	2017
Total pension liability	\$ 277,798	\$ 218,042
Covered payroll	522,095	418,962
Total pension liability as a percentage of covered payroll	53.21%	52.04%

Notes to the schedules:

The Town of Benson has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

TOWN OF BENSON, NORTH CAROLINA
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2018

Schedule 5

	2018
Total OPEB Liability	
Service Cost	\$ 36,003
Interest	10,861
Changes of benefit terms	-
Differences between expected and actual experience	4,555
Changes of assumptions	(26,331)
Benefit payments	(9,695)
Net change in total OPEB liability	15,393
Total OPEB liability - beginning	365,640
Total OPEB liability - ending	\$ 381,033
Covered payroll	\$ 1,666,147
Total OPEB liability as a percentage of covered payroll	22.87%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2018	3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

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

For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,692,412	\$ 1,692,419	\$ 7
Interest and penalties	2,450	2,423	(27)
Total	<u>1,694,862</u>	<u>1,694,842</u>	<u>(20)</u>
Other taxes and licenses:			
Local option sales tax	675,000	691,025	16,025
Utility franchise tax	343,000	389,822	46,822
Occupancy tax	18,600	9,454	(9,146)
Privilege licenses	3,300	3,300	-
Disposal tax	2,375	2,367	(8)
Total	<u>1,042,275</u>	<u>1,095,968</u>	<u>53,693</u>
Unrestricted intergovernmental:			
Wine and beer taxes	15,100	15,077	(23)
Total	<u>15,100</u>	<u>15,077</u>	<u>(23)</u>
Restricted intergovernmental:			
Fire grants	226,877	231,606	4,729
Powell Bill	104,000	103,754	(246)
ABC Board profit distribution	20,081	21,753	1,672
Police grant	20,000.00	20,000	-
FEMA Radio Grant	80,000	70,386	(9,614)
Economic development	9,000	6,825	(2,175)
Total	<u>459,958</u>	<u>454,324</u>	<u>(5,634)</u>
Permits and fees:			
Recreation fees	95,160	96,091	931
Payments in lieu of taxes	106,382	106,381	(1)
Library fees	16,025	16,016	(9)
Court costs	5,000	3,984	(1,016)
Building permits	108,130	108,426	296
Golf cart permits	20,285	20,485	200
Garbage fees	383,137	383,699	562
Museum income	69,000	66,274	(2,726)
Rental income	35,413	34,712	(701)
Fire inspection fees	10,000	3,650	(6,350)
Total	<u>848,532</u>	<u>839,718</u>	<u>(8,814)</u>
Investment earnings	2,000	1,985	(15)
Miscellaneous	533,996	546,182	12,186
Total revenues	<u>4,596,723</u>	<u>4,648,096</u>	<u>51,373</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 21,961	\$ 20,301	\$ 1,660
Operating expenses	37,000	24,178	12,822
Total	<u>58,961</u>	<u>44,479</u>	<u>14,482</u>
Administration:			
Salaries and employee benefits	110,043	106,443	3,600
Operating expenses	408,870	356,300	52,570
Capital outlay	102,770	102,768	2
Total	<u>621,683</u>	<u>565,511</u>	<u>56,172</u>
Total general government	<u>680,644</u>	<u>609,990</u>	<u>70,654</u>
Public safety:			
Inspections, zoning and safety:			
Salaries and employee benefits	94,121	89,523	4,598
Operating expenses	29,025	24,006	5,019
Capital outlay	1,500	987	513
Total	<u>124,646</u>	<u>114,516</u>	<u>10,130</u>
Police:			
Salaries and employee benefits	803,255	763,071	40,184
Operating expenses	149,700	99,941	49,759
Capital outlay	100,000	85,774	14,226
Total	<u>1,052,955</u>	<u>948,786</u>	<u>104,169</u>
Fire:			
Salaries and employee benefits	171,257	166,077	5,180
Operating expenses	179,326	156,955	22,371
Capital outlay	505,145	504,993	152
Volunteer firemen	72,000	54,992	17,008
Total	<u>927,728</u>	<u>883,017</u>	<u>44,711</u>
Total public safety	<u>2,105,329</u>	<u>1,946,319</u>	<u>159,010</u>
Public works:			
Municipal buildings:			
Operating expenses	128,700	129,179	(479)
Capital Outlay	7,500	1,545.00	5,955
Total	<u>167,457</u>	<u>154,374</u>	<u>13,083</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Continued)

	Budget	Actual	Variance Positive (Negative)
Central maintenance			
Salaries and employee benefits	\$ 7,500	\$ 7,360	\$ 140
Operating expenses	15,000	737	14,263
Capital Outlay	12,500	9,665	2,835
Total	<u>35,000</u>	<u>17,762</u>	<u>17,238</u>
Municipal grounds:			
Salaries and employee benefits	85,284	79,099	6,185
Operating expenses	-	-	-
Capital Outlay	-	-	-
Total	<u>85,284</u>	<u>79,099</u>	<u>6,185</u>
Total public works	<u>287,741</u>	<u>251,235</u>	<u>36,506</u>
Transportation:			
Streets:			
Salaries and employee benefits	-	-	-
Operating expenses	320,000	276,115	43,885
Capital outlay -	5,000	597	4,403
Total	<u>325,000</u>	<u>276,712</u>	<u>48,288</u>
Street Lights:			
Utilities	76,000	72,877	3,123
Total	<u>76,000</u>	<u>72,877</u>	<u>3,123</u>
Total transportation	<u>401,000</u>	<u>349,589</u>	<u>51,411</u>
Environmental protection:			
Sanitation:			
Contracted services	375,256	372,861	2,395
Tipping fees	12,500	255	12,245
Total	<u>387,756</u>	<u>373,116</u>	<u>14,640</u>
Total environmental protection	<u>387,756</u>	<u>373,116</u>	<u>14,640</u>
Cultural and recreational:			
Library:			
Salaries and employee benefits	84,571	84,781	(210)
Operating expenses	38,499	38,253	246
Capital outlay	3,530	3,674	(144)
Total	<u>126,600</u>	<u>126,708</u>	<u>(108)</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Continued)

	Budget	Actual	Variance Positive (Negative)
Museum:			
Salaries and employee benefits	\$ 46,518	\$ 37,170	\$ 9,348
Operating expenses	20,482	18,404	2,078
Capital outlay	2,000	1,549	451
Total	<u>69,000</u>	<u>57,123</u>	<u>11,877</u>
Parks and recreation:			
Salaries and employee benefits	269,173	267,150	2,023
Operating expenses	249,610	247,024	2,586
Capital outlay	2,499	1,201	1,298
Total	<u>521,282</u>	<u>515,375</u>	<u>5,907</u>
Cemetery:			
Operating expenses	7,200	5,000	2,200
Total	<u>7,200</u>	<u>5,000</u>	<u>2,200</u>
Total cultural and recreation	<u>724,082</u>	<u>704,206</u>	<u>19,876</u>
Debt service:			
Principal	66,911	66,848	63
Interest	46,796	46,796	-
Total	<u>113,707</u>	<u>113,644</u>	<u>63</u>
Total expenditures	<u>4,700,259</u>	<u>4,348,099</u>	<u>352,160</u>
Revenues over (under) expenditures	(103,536)	299,997	403,533
Other financing sources (uses):			
Transfers from other funds	-	-	-
Transfers to other funds:	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>103,536</u>	<u>-</u>	<u>103,536</u>
Net change in fund balance	<u>\$ -</u>	<u>299,997</u>	<u>\$ 299,997</u>
Fund balance, beginning		<u>1,904,945</u>	
Fund balance, ending		<u>\$ 2,204,942</u>	

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018

Schedule 7

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,100	\$ 330,416	\$ 344,516
Cash and cash equivalents, restricted	2,812	-	2,812
Accounts receivable	1	-	1
Due from other governments	443	1,568	2,011
	<u>17,356</u>	<u>331,984</u>	<u>349,340</u>
Total assets	<u>\$ 17,356</u>	<u>\$ 331,984</u>	<u>\$ 349,340</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Restricted, other	2,812	-	2,812
Committed, other	14,101	330,416	344,517
Unassigned	443	1,568	2,011
Total fund balances	<u>17,356</u>	<u>331,984</u>	<u>349,340</u>
Total liabilities and fund balances	<u>\$ 17,356</u>	<u>\$ 331,984</u>	<u>\$ 349,340</u>

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, 2018

Schedule 8

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Restricted intergovernmental	\$ -	\$ 55,000	\$ 55,000
Investment earnings	-	1,219	1,219
Miscellaneous	2,812	29,159	31,971
	<u>2,812</u>	<u>85,378</u>	<u>88,190</u>
Total revenues	<u>2,812</u>	<u>85,378</u>	<u>88,190</u>
EXPENDITURES			
General governments	33,957	-	33,957
Transportation	-	3,740	3,740
Public Safety	-	42,017	42,017
Cultural and recreational	-	34,995	34,995
Debt service : Principal	25,915	-	25,915
	<u>59,872</u>	<u>80,752</u>	<u>140,624</u>
Total expenditures	<u>59,872</u>	<u>80,752</u>	<u>140,624</u>
Excess (deficiency) of revenues over expenditures	<u>(57,060)</u>	<u>4,626</u>	<u>(52,434)</u>
Net changes in fund balances	(57,060)	4,626	(52,434)
Fund balances, beginning	<u>74,416</u>	<u>327,358</u>	<u>401,774</u>
Fund balances, ending	<u>\$ 17,356</u>	<u>\$ 331,984</u>	<u>\$ 349,340</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 9

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, 2018

	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	\$ - 2,812	\$ 25,000 28,728	\$ (35,000) 28,728
Total revenues	<u>60,000</u>	<u>50,916</u>	<u>2,812</u>	<u>53,728</u>	<u>(6,272)</u>
Expenditures:					
Economic development loans	<u>60,000</u>	<u>25,000</u>	<u>25,915</u>	<u>50,915</u>	<u>9,085</u>
Total expenditures	<u>60,000</u>	<u>25,000</u>	<u>25,915</u>	<u>50,915</u>	<u>9,085</u>
Revenues over (under) expenditures	<u>-</u>	<u>25,916</u>	<u>(23,103)</u>	<u>2,813</u>	<u>2,813</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 25,916</u>	<u>(23,103)</u>	<u>\$ 2,813</u>	<u>\$ 2,813</u>
Fund balance, beginning			<u>25,916</u>		
Fund balance, ending			<u>\$ 2,813</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 10

Special Revenue Fund - Hurricane Matthew Insurance Proceeds

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

From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Expenditures	\$ 48,500	\$ -	\$ 33,957	\$ 33,957	\$ 14,543
Total expenditures	48,500	-	33,957	33,957	14,543
Revenues over (under) expenditures	(48,500)	-	(33,957)	(33,957)	(14,543)
Other Financing Sources:					
Insurance recovery	48,500	48,500	-	48,500	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(33,957)	<u>\$ (33,957)</u>	<u>\$ 14,543</u>
Fund balance, beginning			<u>48,500</u>		
Fund balance, ending			<u>\$ 14,543</u>		

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2018

Schedule 11

	Street Paving Project	Bark Park Project	Auditorium Restroom Improvement Project	Voluntary Demolition Project	Power Line and Tree Trimming Project	Capital Reserve	BFA Lighting System	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 27,963	\$ -	\$ -	\$ 3,338	\$ -	\$ 299,908	\$ (793)	\$ 330,416
Due from other governments	-	-	-	-	-	-	1,568	1,568
Total assets	<u>\$ 27,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 299,908</u>	<u>\$ 775</u>	<u>\$ 331,984</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES								
Restricted:								
Committed, other	27,963	-	-	3,338	-	299,908	(793)	330,416
Unassigned	-	-	-	-	-	-	1,568	1,568
Total fund balances	<u>27,963</u>	<u>-</u>	<u>-</u>	<u>3,338</u>	<u>-</u>	<u>299,908</u>	<u>775</u>	<u>331,984</u>
Total liabilities and fund balances	<u>\$ 27,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 299,908</u>	<u>\$ 775</u>	<u>\$ 331,984</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, 2018

Schedule 12

	Street Paving Project	Bark Park Project	Auditorium Restroom Improvement Project	Voluntary Demolition Project	Power Line and Tree Trimming Project	Capital Reserve	BFA Lighting System	Total Nonmajor Governmental Funds
REVENUES								
Restricted intergovernmental	\$ -	\$ 31,000	\$ -	\$ -	\$ -	\$ -	\$ 24,000	\$ 55,000
Investment earnings	-	-	-	-	-	1,219	-	1,219
Miscellaneous	-	-	-	-	-	29,159	-	29,159
Total revenues	<u>-</u>	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,378</u>	<u>24,000</u>	<u>85,378</u>
EXPENDITURES								
Transportation	3,740	-	-	-	-	-	-	3,740
Public Safety	-	-	-	10,742	8,050	-	23,225	42,017
Cultural and recreational	-	34,766	229	-	-	-	-	34,995
Total expenditures	<u>3,740</u>	<u>34,766</u>	<u>229</u>	<u>10,742</u>	<u>8,050</u>	<u>-</u>	<u>23,225</u>	<u>80,752</u>
Excess (deficiency) of revenues over expenditures	<u>(3,740)</u>	<u>(3,766)</u>	<u>(229)</u>	<u>(10,742)</u>	<u>(8,050)</u>	<u>30,378</u>	<u>775</u>	<u>4,626</u>
Net change in fund balance	(3,740)	(3,766)	(229)	(10,742)	(8,050)	30,378	775	4,626
Fund balances, beginning	<u>31,703</u>	<u>3,766</u>	<u>229</u>	<u>14,080</u>	<u>8,050</u>	<u>269,530</u>	<u>-</u>	<u>327,358</u>
Fund balances, ending	<u>\$ 27,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 299,908</u>	<u>\$ 775</u>	<u>\$ 331,984</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 13

Street Paving Project

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

From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Paving	\$ 371,153	\$ 410,026	\$ 3,740	\$ 413,766	\$ (42,613)
Total expenditures	<u>371,153</u>	<u>410,026</u>	<u>3,740</u>	<u>413,766</u>	<u>(42,613)</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	371,153	441,729	-	441,729	70,576
Total other financing sources (uses)	<u>371,153</u>	<u>441,729</u>	<u>-</u>	<u>441,729</u>	<u>70,576</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 31,703</u>	(3,740)	<u>\$ 27,963</u>	<u>\$ 27,963</u>
Fund balance, beginning			<u>31,703</u>		
Fund balance, ending			<u>\$ 27,963</u>		

Bark Park Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Electricities Smart Community Grant	\$ 4,000	\$ 4,000	\$ -	\$ 4,000	\$ -
JCVB grant	18,750	-	18,750	18,750	-
JCVB reserve fund	12,250	-	12,250	12,250	-
Total revenues	<u>35,000</u>	<u>4,000</u>	<u>31,000</u>	<u>35,000</u>	<u>-</u>
Expenditures:					
Bark park expenditures	<u>35,000</u>	<u>234</u>	<u>34,766</u>	<u>35,000</u>	<u>-</u>
Total expenditures	<u>35,000</u>	<u>234</u>	<u>34,766</u>	<u>35,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,766</u>	<u>(3,766)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,766</u>	<u>(3,766)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>3,766</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 15

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, 2018

	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>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Expenditures:					
Construction	100,000	99,534	229	99,763	237
Total expenditures	<u>100,000</u>	<u>99,534</u>	<u>229</u>	<u>99,763</u>	<u>237</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>(34,534)</u>	<u>(229)</u>	<u>(34,763)</u>	<u>237</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>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 466</u>	<u>(229)</u>	<u>\$ 237</u>	<u>\$ 237</u>
Fund balance, beginning			<u>229</u>		
Fund balance, ending			<u>\$ -</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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Demolition expense	\$ 50,000	\$ 35,920	\$ 10,742	\$ 46,662	\$ 3,338
Total expenditures	<u>50,000</u>	<u>35,920</u>	<u>10,742</u>	<u>46,662</u>	<u>3,338</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,080</u>	<u>(10,742)</u>	<u>\$ 3,338</u>	<u>\$ 3,338</u>
Fund balance, beginning			<u>14,080</u>		
Fund balance, ending			<u>\$ 3,338</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 17

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, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Tree trimming expense	\$ 40,000	\$ 31,950	\$ 8,050	\$ 40,000	\$ -
Total expenditures	40,000	31,950	8,050	40,000	-
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	40,000	40,000	-	40,000	-
Total other financing sources (uses)	40,000	40,000	-	40,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,050</u>	(8,050)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>8,050</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 18

Capital Reserve Fund

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

From Inception and For the Year Ended June 30, 2018

With Comparative Totals from June 30, 2017

	2018		Variance Over / Under	2017
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 1,219	\$ 1,219	\$ 302
Miscellaneous	-	29,159	29,159	47,346
Total revenues	-	30,378	30,378	47,648
Transfers (to) from general fund	-	-	-	-
Net change in fund balance	<u>\$ -</u>	30,378	<u>\$ 30,378</u>	47,648
Fund balance, beginning		269,530		221,882
Fund balance, ending		<u>\$ 299,908</u>		<u>\$ 269,530</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 19

BFA Lighting System Project

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

From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
JCVB Grant	\$ 12,000	\$ -	\$ 12,000	\$ 12,000	\$ -
BFA Match	12,000	-	12,000	12,000	-
Total revenues	<u>24,000</u>	<u>-</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Expenditures:					
Construction	<u>24,000</u>	<u>-</u>	<u>23,225</u>	<u>23,225</u>	<u>775</u>
Total expenditures	<u>24,000</u>	<u>-</u>	<u>23,225</u>	<u>23,225</u>	<u>775</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>775</u>	<u>775</u>	<u>775</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775</u>	<u>\$ 775</u>	<u>\$ 775</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 775</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 20

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electric sales	\$ 4,533,250	\$ 4,552,285	\$ 19,035
Cut out / late charges	17,262	17,261	(1)
Other operating charges	27,036	27,153	117
Total operating revenues	<u>4,577,548</u>	<u>4,596,699</u>	<u>19,151</u>
Nonoperating revenues:			
Interest earnings	1,212	1,223	11
Total revenues	<u>4,578,760</u>	<u>4,597,922</u>	<u>19,162</u>
Expenditures:			
Salaries and employee benefits	589,004	601,598	(12,594)
Power purchased	2,982,863	2,965,555	17,308
Operating expenditures	741,820	708,096	33,724
Equipment and line improvements	265,073	238,061	27,012
Total expenditures	<u>4,578,760</u>	<u>4,513,310</u>	<u>65,450</u>
Revenues over (under) expenditures	<u>-</u>	<u>84,612</u>	<u>84,612</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital projects	-	-	-
General fund	-	150,000	150,000
Appropriated fund balance	50,000	-	(50,000)
Total	<u>50,000</u>	<u>150,000</u>	<u>100,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 50,000</u>	234,612	<u>\$ 184,612</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(50,255)	
Deferred outflows of resources for contributions made to pension plan in the current year		(3,130)	
Pension expense		27,761	
Change in accrued vacation		(5,888)	
Change in OPEB		<u>(2,860)</u>	
Change in net position		<u>\$ 200,240</u>	

TOWN OF BENSON, NORTH CAROLINA

Schedule 21

Load Management Project

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

From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Load management expenses	\$ 300,000	\$ 263,068	\$ 13,785	\$ 276,853	\$ 23,147
Total expenditures	<u>300,000</u>	<u>263,068</u>	<u>13,785</u>	<u>276,853</u>	<u>23,147</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>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 36,932</u>	(13,785)	<u>\$ 23,147</u>	<u>\$ 23,147</u>
Fund balance, beginning			<u>36,392</u>		
Fund balance, ending			<u>\$ 22,607</u>		

Leath Co Project

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

From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Electricities Systems Betterment Grant	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Expenditures:					
Line improvements	145,000	79,811	65,189	145,000	-
Electric car station	5,000	-	5,000	5,000	-
Total expenditures	150,000	79,811	70,189	150,000	-
Other Financing Sources (Uses)					
Transfers in (out)					
Electric Fund	145,000	145,000	-	145,000	-
Total other financing sources (uses)	145,000	145,000	-	145,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 65,189</u>	(70,189)	<u>\$ (5,000)</u>	<u>\$ -</u>
Fund balance, beginning			<u>70,189</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 23

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,326,000	\$ 1,325,713	\$ (287)
Sewer charges	1,479,000	1,444,853	(34,147)
Water and sewer taps	17,700	17,700	-
Other operating charges	399,762	424,676	24,914
Total operating revenues	<u>3,222,462</u>	<u>3,212,942</u>	<u>(9,520)</u>
Nonoperating revenues:			
Interest earnings	2,573.00	2,590	17
Total revenues	<u>3,225,035</u>	<u>3,215,532</u>	<u>(9,503)</u>
Expenditures:			
General operations:			
Salaries and employee benefits	489,703	502,770	(13,067)
Operating expenditures	516,087	504,690	11,397
Maintenance and repairs	20,000	14,050	5,950
Capital outlay	319,732	42,796	276,936
Total expenditures	<u>1,345,522</u>	<u>1,064,306</u>	<u>281,216</u>
Water distribution:			
Salaries and employee benefits	28,000	42,554	(14,554)
Water purchases	623,100	597,018	26,082
Supplies	64,350	58,559	5,791
Maintenance and repairs	17,000	281	16,719
Capital outlay	1,500	10,368	(8,868)
Total expenditures	<u>733,950</u>	<u>708,780</u>	<u>25,170</u>
Waste water collection:			
Salaries and employee benefits	419,918	441,518	(21,600)
Supplies	260,575	258,876	1,699
Maintenance and repairs	115,700	112,395	3,305
Other operating expenditures	131,597	72,911	58,686
Total expenditures	<u>927,790</u>	<u>885,700</u>	<u>42,090</u>
Debt services:			
Principal retirement	441,742	652,741	(210,999)
Interest and other charges	63,953	124,051	(60,098)
	<u>505,695</u>	<u>776,792</u>	<u>(271,097)</u>
Total expenditures	<u>3,512,957</u>	<u>3,435,578</u>	<u>77,379</u>
Revenues over (under) expenditures	<u>(287,922)</u>	<u>(220,046)</u>	<u>67,876</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 23

Water and Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Other funds	\$ -	\$ (22,500)	\$ (22,500)
Appropriated fund balance	20,000	-	(20,000)
Total	<u>20,000</u>	<u>(22,500)</u>	<u>(42,500)</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ (267,922)</u>	 (242,546)	 <u>\$ 25,376</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		652,741	
Depreciation		(371,444)	
Deferred outflows of resources for contributions made to pension plan in the current year		(5,005)	
Pension expense		44,389	
Change in accrued vacation		(6,445)	
Change in OPEB		(4,575)	
Miscellaneous		<u>(3,058)</u>	
Change in net position		<u>\$ 64,057</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, 2018

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures:					
Public water improvements	\$ 671,000	\$ 555,185	\$ -	\$ 555,185	\$ 115,815
Electric utility improvements	425,000	451,133	-	451,133	(26,133)
Total expenditures	<u>1,096,000</u>	<u>1,006,318</u>	<u>-</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	<u>551,000</u>	<u>518,266</u>	<u>-</u>	<u>518,266</u>	<u>(32,734)</u>
Total other financing sources (uses)	<u>1,096,000</u>	<u>1,063,266</u>	<u>-</u>	<u>1,063,266</u>	<u>(32,734)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 56,948</u>	<u>-</u>	<u>\$ 56,948</u>	<u>\$ 56,948</u>
Fund balance, beginning			<u>56,948</u>		
Fund balance, ending			<u>\$ 56,948</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 25

Water and Sewer Capital Projects Fund

WWTP Pump Station Project (Fund 88)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Paving	\$2,802,000	\$ 186,920	\$2,258,425	\$2,445,345	\$ 356,655
Total expenditures	<u>2,802,000</u>	<u>186,920</u>	<u>2,258,425</u>	<u>2,445,345</u>	<u>356,655</u>
Revenues over (under) expenditures	<u>(2,802,000)</u>	<u>(186,920)</u>	<u>(2,258,425)</u>	<u>(2,445,345)</u>	<u>(356,655)</u>
Other Financing Sources (Uses)					
Transfers from (to) other funds	-	-	(44,793)	(44,793)	44,793
USDA Loan	<u>2,802,000</u>	<u>3,068,000</u>	<u>(266,000)</u>	<u>2,802,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,802,000</u>	<u>3,068,000</u>	<u>(310,793)</u>	<u>2,757,207</u>	<u>44,793</u>
Net change in fund balance	<u>\$ -</u>	<u>\$2,881,080</u>	<u>(2,569,218)</u>	<u>\$ 311,862</u>	<u>\$ 401,448</u>
Fund balance, beginning			<u>2,881,080</u>		
Fund balance, ending			<u>\$ 311,862</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 26

Water and Sewer Capital Projects Fund

Storm Water H&H Study (Fund 401)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures:					
Expenditures	\$ 140,000	\$ 31,613	\$ 108,387	\$ 140,000	\$ -
Total expenditures	140,000	31,613	108,387	140,000	-
Revenues over (under) expenditures	(140,000)	(31,613)	(108,387)	(140,000)	-
Other Financing Sources (Uses)					
Transfer in	140,000	140,000	-	140,000	-
Total other financing sources (uses)	140,000	140,000	-	140,000	-
Net change in fund balance	\$ -	\$ 108,387	(108,387)	\$ -	\$ -
Fund balance, beginning			108,387		
Fund balance, ending			\$ -		

TOWN OF BENSON, NORTH CAROLINA

Schedule 27

Water and Sewer Capital Projects Fund

Stormwater Infrastructure Rehabilitation (Fund 81)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures:					
Construction	\$ 585,187	\$ -	\$ 62,877	\$ 62,877	\$ (522,310)
Total expenditures	585,187	-	62,877	62,877	(522,310)
Revenues over (under) expenditures	(585,187)	-	(62,877)	(62,877)	522,310
Other Financing Sources (Uses)					
Golden Leaf Foundation	585,187	-	-	-	585,187
Total other financing sources (uses)	585,187	-	-	-	585,187
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(62,877)	<u>\$ (62,877)</u>	<u>\$ 62,877</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ (62,877)</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 28

Water and Sewer Capital Projects Fund

Public Works Building Replacement (Fund 83)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures:					
Construction	\$ 500,000	\$ -	\$ 171,203	\$ 171,203	\$ (328,797)
Total expenditures	500,000	-	171,203	171,203	(328,797)
Revenues over (under) expenditures	(500,000)	-	(171,203)	(171,203)	328,797
Other Financing Sources (Uses)					
Golden Leaf Foundation	500,000	-	-	-	500,000
Total other financing sources (uses)	500,000	-	-	-	500,000
Net change in fund balance	\$ -	\$ -	(171,203)	\$ (171,203)	\$ 171,203
Fund balance, beginning			-		
Fund balance, ending			\$ (171,203)		

TOWN OF BENSON, NORTH CAROLINA

Schedule 29

Water and Sewer Capital Projects Fund

AIA Project (Fund 46)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
AIA Expenses	\$ 172,500	\$ -	\$ 30,492	\$ 30,492	\$ 142,008
Total expenditures	<u>172,500</u>	<u>-</u>	<u>30,492</u>	<u>30,492</u>	<u>142,008</u>
Revenues over (under) expenditures	<u>(172,500)</u>	<u>-</u>	<u>(30,492)</u>	<u>(30,492)</u>	<u>142,008</u>
Other Financing Sources (Uses)					
AIA Grant	150,000	-	-	-	(150,000)
Town of Benson contribution	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Total other financing sources (uses)	<u>172,500</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>	<u>(150,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,992)</u>	<u>\$ (7,992)</u>	<u>\$ (7,992)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (7,992)</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 30

Water and Sewer Capital Projects Fund

Sewer Check Valve Project (Fund 92)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
NC Water Infrastructure Grant	\$ 80,000	\$ -	\$ -	\$ -	\$ (80,000)
Total revenues	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Expenditures:					
Expenses	80,000	-	5,484	5,484	(74,516)
Total expenditures	<u>80,000</u>	<u>-</u>	<u>5,484</u>	<u>5,484</u>	<u>(74,516)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(5,484)</u>	<u>(5,484)</u>	<u>(5,484)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(5,484)</u>	<u>\$ (5,484)</u>	<u>\$ (5,484)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (5,484)</u>		

OTHER SCHEDULES

TOWN OF BENSON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

Schedule 31

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections And Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 1,694,056	\$ 1,693,489	\$ 567
2016-2017	827	-	691	136
2015-2016	146	-	-	146
2014-2015	111	-	-	111
2013-2014	913	-	152	761
2012-2013	1,396	-	58	1,338
2011-2012	1,275	-	-	1,275
2010-2011	2,467	-	75	2,392
2009-2010	1,219	-	10	1,209
2008-2009	975	-	10	965
2007-2008	97	-	-	97
2006-2007	137	-	-	137
	<u>\$ 9,563</u>	<u>\$ 1,694,056</u>	<u>\$ 1,694,485</u>	9,134
Less: allowance for uncollectible accounts:				
General Fund				(4,449)
Ad valorem taxes receivable - net				\$ 4,685
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,694,842
Reconciling items:				
Penalties and interest collected				(2,423)
Other				2,066
Subtotal				(357)
Total collections and credits				\$ 1,694,485

TOWN OF BENSON, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2018

Schedule 32

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 319,177,142	0.5400	\$ 1,691,639	\$ 1,547,826	\$ 143,813
Penalties, Licenses, etc.	-		697		
Discoveries - current and prior years	626,666	0.5400	3,384	3,384	-
Penalties	-		439		
Abatements	(396,792)	0.5400	<u>\$ (2,103)</u>	<u>(2,103)</u>	<u>-</u>
Total Property Valuation	<u>\$ 319,407,016</u>				
Net levy			1,694,056	1,549,107	143,813
Uncollected taxes at June 30, 2018			<u>567</u>	<u>567</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,693,489</u>	<u>\$ 1,548,540</u>	<u>\$ 143,813</u>
Current levy collection percentage			<u>99.96%</u>	<u>99.96%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2018.

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. 2018-001.

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 2018-001.

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
December 18, 2018



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Certified Public Accountants

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North Carolina Association of
Certified Public Accountants

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Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Benson, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Benson's major federal programs for the year ended June 30, 2018. The Town of Benson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Benson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Benson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

Opinion on Each Major Federal Program

In our opinion, the Town of Benson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Rivers & Associates LLP

Raleigh, North Carolina
December 18, 2018

TOWN OF BENSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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

Federal Awards

Internal control over financial reporting:

Material weaknesses identified?	_____	yes	_____ x _____	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_____ x _____	none reported

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

Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ x _____	no
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CFDA No(s).	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$	750,000
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Auditee qualified as low-risk auditee	_____	yes	_____ x _____	no
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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, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2018-001

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, 2018

Finding 2017-001

Status: Repeated finding as 2018-001

TOWN OF BENSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities	10.760	XXX XXX	\$ 2,802,000
Total federal assistance			<u>2,802,000</u>
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Transportation</u>			
Powell Bill		38570	<u>103,754</u>
Total State assistance			<u>103,754</u>
Total federal and State assistance			<u><u>\$ 2,905,754</u></u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Benson, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

TOWN OF BENSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
TOWN OF BENSON, NORTH CAROLINA

Note 3: Loans Outstanding

The Town of Benson had the following loan balances at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of they year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>2,802,000</u>
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