

# Town of Williamston

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



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**Town of Williamston, North Carolina**  
**Table of Contents**  
**June 30, 2016**

<b>EXHIBIT</b>	<b>Page</b>
<b>Financial Section:</b>	
<b>Independent Auditors' Report</b>	<b>1-3</b>
<b>Management's Discussion and Analysis</b>	<b>4.1-4.10</b>
<b>Town Council and Key Staff</b>	<b>5</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
<b>1</b> Statement of Net Position	<b>6</b>
<b>2</b> Statement of Activities	<b>7-8</b>
<b>Fund Financial Statements:</b>	
<b>3</b> Balance Sheet - Governmental Funds	<b>9</b>
<b>4</b> Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	<b>10</b>
<b>5</b> Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<b>11</b>
<b>6</b> Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	<b>12</b>
<b>7</b> Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	<b>13</b>
<b>8</b> Statement of Fund Net Position - Proprietary Funds	<b>14</b>
<b>9</b> Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	<b>15</b>
<b>10</b> Statement of Cash Flows - Proprietary Funds	<b>16-17</b>
<b>11</b> Statement of Fiduciary Net Position - Fiduciary Funds	<b>18</b>
<b>12</b> Statement of Changes in Fiduciary Net Position - Fiduciary Funds	<b>19</b>

(continued)

**Town of Williamston, North Carolina**  
**Table of Contents**  
**June 30, 2016**

<b>Notes to the Financial Statements</b>	<b>20.1-20.37</b>
<b>Required Supplementary Financial Data:</b>	
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	<b>21</b>
Other Postemployment Benefits - Schedule of Funding Progress	<b>22</b>
Other Postemployment Benefits - Schedule of Employer Contributions	<b>23</b>
Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System	<b>24</b>
Schedule of Town Contributions - Local Government Employees' Retirement System	<b>25</b>
<b>Individual Fund Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	<b>26-28</b>
Schedule of Expenditures - Budget and Actual - General Fund	<b>29-37</b>
Combining Balance Sheet - Non-Major Governmental Funds	<b>38</b>
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	<b>39</b>
Combining Balance Sheet - Non-Major Governmental Special Revenue Funds	<b>40</b>
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Special Revenue Funds	<b>41</b>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception:	
Strategic Economic Development - Golden Leaf	<b>42</b>
Brownfields Assessment Grants	<b>43</b>
Combining Balance Sheet - Non-Major Governmental Capital Projects Funds	<b>44</b>

(continued)

**Town of Williamston, North Carolina**  
**Table of Contents**  
**June 30, 2016**

**Individual Fund Schedules:**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Capital Projects Funds	<b>45</b>
--	-----------

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception:	
Skewarkee Canal Phase IV	<b>46</b>
Annexation Area E	<b>47</b>

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	<b>48-49</b>
--	--------------

Schedule of Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	<b>50-52</b>
--	--------------

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Capital Projects Fund	
Annexation Area A	<b>53</b>

**Other Schedules:**

Schedule of Ad Valorem Taxes Receivable	<b>54</b>
---	-----------

Analysis of Current Tax Levy - Town-Wide Levy	<b>55</b>
---	-----------

**Compliance Section:**

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 <i>Government Auditing Standards</i>	<b>56-57</b>
---	--------------

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	<b>58-59</b>
--	--------------

Schedule of Findings and Questioned Costs	<b>60-61</b>
---	--------------

Corrective Action Plan	<b>62</b>
------------------------	-----------

Summary Schedule of Prior Audit Findings	<b>63</b>
--	-----------

Schedule of Expenditures of Federal and State Awards	<b>64-66</b>
--	--------------



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Town Council  
Town of Williamston, 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 Williamston, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Williamston, North Carolina'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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4.1 through 4.10, the Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions on page 21, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 22 and 23, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 24 and 25, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Williamston, North Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and State awards is presented for purposes of additional analysis 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, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, 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. In our opinion, the combining and individual nonmajor fund financial statements and schedules, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the Town of Williamston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Williamston's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

Wilson, North Carolina  
December 21, 2016

## **Management's Discussion and Analysis**



**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

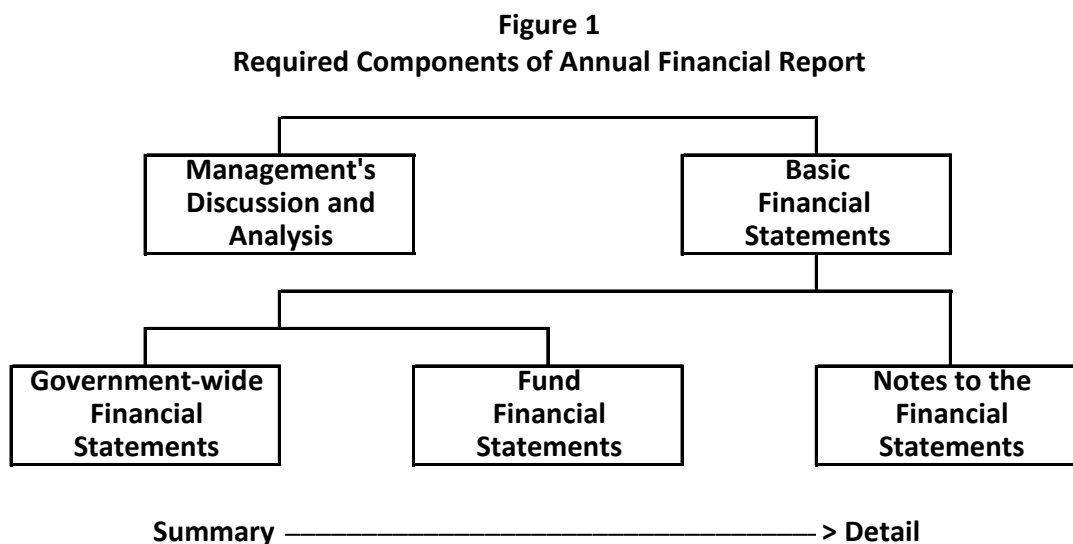
As management of the Town of Williamston, we offer readers of the Town of Williamston's financial statements this narrative overview and analysis of the financial activities of the Town of Williamston for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Williamston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,501,071 (*net position*).
- The government's total net position increased by \$909,195, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Williamston's governmental funds reported combined ending fund balances of \$3,558,268, an increase of \$305,901. Approximately 23.81 percent of this total amount, or \$847,054, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,552,587, or 45.69% of total general fund expenditures for the fiscal year.
- The Town of Williamston's total debt increased by \$158,456 (3.43%) during the current fiscal year. Governmental activity debt decreased \$212,000 while Water and Sewer debt increased \$370,456.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Williamston'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 Williamston.



**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

### **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 12) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

### **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, 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 services offered by the Town of Williamston.

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 Williamston, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Williamston 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 Williamston adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Williamston uses an enterprise fund to account for its water and sewer activity. This fund is 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. The Town of Williamston has two fiduciary funds, an Other Post-Employment Benefits Trust Fund and a Private Purpose Trust Fund related to library maintenance.

**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**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 begin on page 20.1 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 Williamston's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 21 of this report.

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

**Government-Wide Financial Analysis**

**CONDENSED STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 4,353,092	\$ 3,862,928	\$ 7,694,020	\$ 7,302,521	\$ 12,047,112	\$ 11,165,449
Non-current assets	-	273,877	-	44,586	-	318,463
Capital assets	10,183,157	10,356,479	11,390,429	10,738,770	21,573,586	21,095,249
Deferred outflows of resources	188,847	189,787	29,221	30,897	218,068	220,684
Total assets and deferred outflows of resources	<u>14,725,096</u>	<u>14,683,071</u>	<u>19,113,670</u>	<u>18,116,774</u>	<u>33,838,766</u>	<u>32,799,845</u>
Current liabilities	542,424	474,805	919,934	782,311	1,462,358	1,257,116
Long-term liabilities	1,684,347	1,355,759	4,055,406	3,808,181	5,739,753	5,163,940
Deferred inflows of resources	118,216	678,248	17,368	108,665	135,584	786,913
Total liabilities and deferred inflows of resources	<u>2,344,987</u>	<u>2,508,812</u>	<u>4,992,708</u>	<u>4,699,157</u>	<u>7,337,695</u>	<u>7,207,969</u>
Net position:						
Net investment in capital assets	10,059,157	10,020,479	6,734,369	6,453,166	16,793,526	16,473,645
Restricted	834,884	704,878	-	-	834,884	704,878
Unrestricted	1,486,068	1,448,902	7,386,593	6,964,451	8,872,661	8,413,353
Total net position	<u>\$ 12,380,109</u>	<u>\$ 12,174,259</u>	<u>\$ 14,120,962</u>	<u>\$ 13,417,617</u>	<u>\$ 26,501,071</u>	<u>\$ 25,591,876</u>

## Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2016

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 Williamston exceeded liabilities and deferred inflows by \$26,501,071 as of June 30, 2016. The Town's net position increased by \$909,195 for the fiscal year ended June 30, 2016. However, the largest portion (63.37%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Williamston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Williamston'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 Williamston's net position (3.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,872,661 is unrestricted. Also, the Town of Williamston implemented GASB Statement 68 in the prior year. Under GASB 68, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

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

- Continued diligence in the collection of property taxes by increasing aggressive collection procedures through the debt setoff program, garnishments and bank account attachments.
- Sales tax receipts have shown significant improvement in recent years as a combined result of local commercial development and an increase in tourist activity. The latter is attributable to the benefits of travel on Highway 64 and the constantly improving popularity of the Senator Bob Martin facility.
- Continued low cost of debt due to the Town's sound financial position.

**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 493,754	\$ 539,986	\$ 4,714,028	\$ 3,598,769	\$ 5,207,782	\$ 4,138,755
Operating grants & contributions	784,510	1,131,599	-	-	784,510	1,131,599
Capital grants & contributions	414,665	253,929	36,693	1,000,000	451,358	1,253,929
General revenues:						
Property taxes	2,845,965	2,787,392	-	-	2,845,965	2,787,392
Other taxes	1,055,608	1,027,118	-	-	1,055,608	1,027,118
Grants and contributions not restricted to specific programs	494,900	481,187	-	-	494,900	481,187
Unrestricted investment earnings	6,879	1,419	20,110	10,202	26,989	11,621
Miscellaneous	31,990	62,780	1,377	2,445	33,367	65,225
Total revenues	<u>6,128,271</u>	<u>6,285,410</u>	<u>4,772,208</u>	<u>4,611,416</u>	<u>10,900,479</u>	<u>10,896,826</u>
<b>EXPENSES:</b>						
<b>Governmental activities:</b>						
General government	590,073	503,428	-	-	590,073	503,428
Public safety	2,970,790	3,142,854	-	-	2,970,790	3,142,854
Transportation	706,033	675,784	-	-	706,033	675,784
Economic and physical development	120,869	193,753	-	-	120,869	193,753
Environmental protection	613,484	577,017	-	-	613,484	577,017
Cultural and recreational	845,195	854,520	-	-	845,195	854,520
Interest on long-term debt	10,977	18,146	-	-	10,977	18,146
<b>Business-type activities:</b>						
Water and sewer	-	-	4,133,863	2,998,572	4,133,863	2,998,572
Total expenses	<u>5,857,421</u>	<u>5,965,502</u>	<u>4,133,863</u>	<u>2,998,572</u>	<u>9,991,284</u>	<u>8,964,074</u>
Increase (decrease) in net position before transfers	270,850	319,908	638,345	1,612,844	909,195	1,932,752
Transfers	(65,000)	(23,731)	65,000	23,731	-	-
Increase (decrease) in net position	205,850	296,177	703,345	1,636,575	909,195	1,932,752
<b>NET POSITION, BEGINNING, PREVIOUSLY REPORTED</b>	12,174,259	12,252,720	13,417,617	11,842,029	25,591,876	24,094,749
Restatement	-	(374,638)	-	(60,987)	-	(435,625)
<b>NET POSITION, BEGINNING, RESTATED</b>	12,174,259	11,878,082	13,417,617	11,781,042	25,591,876	23,659,124
<b>NET POSITION, ENDING</b>	<u>\$ 12,380,109</u>	<u>\$ 12,174,259</u>	<u>\$ 14,120,962</u>	<u>\$ 13,417,617</u>	<u>\$ 26,501,071</u>	<u>\$ 25,591,876</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$205,850, thereby accounting for 22.64% of the total growth in the net position of the Town of Williamston. The key elements of this increase are as follows:

- Increases in property taxes.
- Capital grants and contributions in the amount of \$414,665 positively affected the Town's net position.

## Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2016

**Business-type activities:** Business-type activities increased the Town of Williamston's net position by \$703,345, accounting for 77.36% of the total growth in the government's net position. The key element of this increase is as follows:

- Increased charges for services from business activities positively affected the Town's net position.

### Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Williamston. At the end of the current fiscal year, the Town of Williamston's fund balance unassigned in the General Fund was \$2,552,587, while total fund balance reached \$3,412,557. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.69% of total General Fund expenditures, while total fund balance represents 61.08% of that same amount.

At June 30, 2016, the governmental funds of the Town of Williamston reported a combined fund balance of \$3,558,268, with a net increase in fund balance of \$305,901. Included in this change in fund balance are an increase in the fund balance in the General Fund and a decrease in the other governmental funds.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because restricted intergovernmental revenue received was less than the Town originally had expected to receive. Expenditures were held in check to allow the Town to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Williamston'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 \$7,386,593. The total increase in net position for the fund was \$703,345. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Williamston's business-type activities.

**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Williamston's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$21,573,586 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Land and current year construction in progress of \$80,496 in governmental-type activities for various infrastructure assets.
- Current year capital asset additions of \$558,060 in governmental-type activities.
- Current year construction in progress of \$1,200,230 in business-type activities for various infrastructure assets.
- Current year capital asset additions of \$74,013 in business-type activities.

**SUMMARY OF CAPITAL ASSETS**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 722,864	\$ 707,276	\$ 112,022	\$ 112,022	\$ 834,886	\$ 819,298
Buildings	1,028,526	779,170	86,876	94,492	1,115,402	873,662
Land improvements	1,137,923	1,242,148	39,444	42,262	1,177,367	1,284,410
Plant & distribution/ collection systems	-	-	9,499,011	10,068,453	9,499,011	10,068,453
Equipment & furniture	642,257	735,990	117,132	121,804	759,389	857,794
Vehicles & motorized equipment	1,130,955	1,238,176	118,184	82,207	1,249,139	1,320,383
Infrastructure	4,709,562	4,856,307	-	-	4,709,562	4,856,307
Construction in progress	811,070	797,412	1,417,760	217,530	2,228,830	1,014,942
<b>TOTALS</b>	<u>\$ 10,183,157</u>	<u>\$ 10,356,479</u>	<u>\$ 11,390,429</u>	<u>\$ 10,738,770</u>	<u>\$ 21,573,586</u>	<u>\$ 21,095,249</u>

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



**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**Long-Term Debt.** As of June 30, 2016, the Town of Williamston had debt outstanding of \$4,780,060. Of this, \$124,000 represents governmental activities installment purchase financing debt and \$4,656,060, represents business-type activities debt related to water and sewer improvements.

**TOWN OF WILLIAMSTON'S OUTSTANDING DEBT**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment purchase debt - Williamston Rec Park	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Installment purchase debt - Fire Truck	124,000	186,000	-	-	124,000	186,000
NC Clean Water Revolving Loan	-	-	3,419,448	2,838,888	3,419,448	2,838,888
Drinking Water State Revolving Loan	-	-	1,125,949	1,188,502	1,125,949	1,188,502
Installment purchase debt - WWTP Chlorination	-	-	110,663	258,214	110,663	258,214
<b>TOTALS</b>	<b>\$ 124,000</b>	<b>\$ 336,000</b>	<b>\$ 4,656,060</b>	<b>\$ 4,285,604</b>	<b>\$ 4,780,060</b>	<b>\$ 4,621,604</b>

The Town of Williamston's total debt increased by \$158,456, (3.43%) during the current year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Williamston is \$25,530,599. The Town has no bonds authorized but unissued at June 30, 2016.

Additional information regarding the Town of Williamston's long-term debt can be found in Note III.B.7 of this report.

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

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

- Commercial growth although slow remains steady. We have had several new businesses build in town and expect more new builds in the coming year. Additionally we have three major renovations planned in our downtown business district. Our available retail space has diminished throughout all business districts. We continue to seek more investment in our downtown.
- The local unemployment rate remains steady from the previous year showing a stable local economy even though not growing to any great extent.
- County-wide property revaluation occurs this year and will most likely affect our current property tax rate and quite possibly our budget for 2017-18.

**Town of Williamston, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** Property taxes and revenues from unrestricted intergovernmental revenues are again expected to remain steady. Sales tax revenues are anticipated to increase slightly from last year due to continued sub-regional market growth and the State adjusting the distribution formula.

Budgeted expenditures in the General Fund are \$5,856,756. This is a slight decrease from last year partially due to reduced debt service. Debt service in the General Fund continues to decrease. This year our debt service liability equates to 3% of the budget; down from 5.91% last year. We will secure additional debt this year associated with the street repairs and improvements in annexation Area "A". New revenues as a result of new vehicle license plate fees will help offset that debt liability.

**Business-type Activities:** Total budgeted expenditures for the Water and Sewer fund for the upcoming year are \$4,741,400. This is a slight increase from the previous year due to our requirement to purchase all our water from the Martin County Water and Sewer Authority (MCRWASA) and to service debts related to the recently installed SCADA system and sewer system Inflow and Infiltration (I&I) repairs. Both projects are financed by zero interest rate loans from the State. A slight decrease to water rates for residential customers was provided. This allowed for a stormwater drainage fee to be applied to the bill with no increase in the total bill. Sewer Rates remain unchanged from the previous year. With the water treatment plant operational the Town now has a good feel for the impact of this State mandate. Both the water and sewer rates will be reevaluated annually for adequacy and possible adjustment up or down.

**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 Administrator, Town of Williamston, P.O. Box 506, Williamston, NC 27892. One can also call (252)792-5142, visit our website [www.townofwilliamston.com](http://www.townofwilliamston.com) or send an email to [brentkanipe@townofwilliamston.com](mailto:brentkanipe@townofwilliamston.com) for more information.

**Town Council Members**

Joyce Whichard-Brown, Mayor

Al R. Chesson, Mayor Pro Tem

Ronell Rodgers

Junious J. Horton

Jerry Knox

William Coffield

**Administrative and Financial Staff**

Brent Kanipe, Interim Town Administrator

Linda Harrison, Finance Officer

Tiffany White, Tax Collector

## **Basic Financial Statements**

**Town of Williamston, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**  
**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,075,051	\$ 6,043,872	\$ 9,118,923
Taxes receivable (net)	525,010	-	525,010
Accrued interest receivable on taxes	122,573	-	122,573
Accounts receivable (net)	194,137	344,969	539,106
Due from other governments	452,419	-	452,419
Internal balances	(226,130)	226,130	-
Inventories	12,170	-	12,170
Restricted assets:			
Cash and cash equivalents	197,862	138,149	336,011
Due from other governments	-	940,900	940,900
Total current assets	<u>4,353,092</u>	<u>7,694,020</u>	<u>12,047,112</u>
<b>Capital assets:</b>			
Land, non-depreciable improvements, and construction in progress	1,533,935	1,529,783	3,063,718
Other capital assets, net of depreciation	8,649,222	9,860,646	18,509,868
Total capital assets	<u>10,183,157</u>	<u>11,390,429</u>	<u>21,573,586</u>
<b>TOTAL ASSETS</b>	<u>14,536,249</u>	<u>19,084,449</u>	<u>33,620,698</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	188,847	29,221	218,068
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	360,209	19,678	379,887
Miscellaneous liabilities	7,189	-	7,189
Current portion of long-term liabilities	175,026	762,107	937,133
Payable from restricted assets	-	138,149	138,149
Total current liabilities	<u>542,424</u>	<u>919,934</u>	<u>1,462,358</u>
<b>Long-term liabilities:</b>			
Net pension liability	203,889	31,549	235,438
Due in more than one year	1,480,458	4,023,857	5,504,315
TOTAL LIABILITIES	<u>2,226,771</u>	<u>4,975,340</u>	<u>7,202,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	5,973	-	5,973
Pension deferrals	112,243	17,368	129,611
Total deferred inflows of resources	<u>118,216</u>	<u>17,368</u>	<u>135,584</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,059,157	6,734,369	16,793,526
Restricted for:			
Stabilization by state statute	637,022	-	637,022
Streets	197,862	-	197,862
Unrestricted	1,486,068	7,386,593	8,872,661
<b>TOTAL NET POSITION</b>	<u>\$ 12,380,109</u>	<u>\$ 14,120,962</u>	<u>\$ 26,501,071</u>

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 2**

	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>			
<b>PRIMARY GOVERNMENT:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General government	\$ 590,073	\$ 3,290	\$ -
Public safety	2,970,790	416,288	436,778
Transportation	706,033	725	172,229
Economic and physical development	120,869	-	100,000
Environmental protection	613,484	53,050	65,826
Cultural and recreational	845,195	20,401	9,677
Interest on long-term debt	10,977	-	-
Total governmental activities	5,857,421	493,754	784,510
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Water and sewer	4,133,863	4,714,028	-
Total primary government	\$ 9,991,284	\$ 5,207,782	\$ 784,510
		\$ 451,358	

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 2**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>FUNCTIONS/PROGRAMS</b>			
<b>PRIMARY GOVERNMENT:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General government	\$ (586,783)	\$ -	\$ (586,783)
Public safety	(2,054,246)	-	(2,054,246)
Transportation	(533,079)	-	(533,079)
Economic and physical development	(13,353)	-	(13,353)
Environmental protection	(494,608)	-	(494,608)
Cultural and recreational	(471,446)	-	(471,446)
Interest on long-term debt	(10,977)	-	(10,977)
Total governmental activities	<u>(4,164,492)</u>	-	<u>(4,164,492)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Water and sewer	-	616,858	616,858
Total primary government	<u>(4,164,492)</u>	<u>616,858</u>	<u>(3,547,634)</u>
<b>GENERAL REVENUES:</b>			
Taxes:			
Property taxes, levied for general purpose	2,845,965	-	2,845,965
Other taxes	1,055,608	-	1,055,608
Grants & contributions not restricted to specific programs	494,900	-	494,900
Unrestricted investment earnings	6,879	20,110	26,989
Miscellaneous	31,990	1,377	33,367
Transfers	(65,000)	65,000	-
Total general revenues and transfers	<u>4,370,342</u>	<u>86,487</u>	<u>4,456,829</u>
Change in net position	205,850	703,345	909,195
<b>NET POSITION, BEGINNING</b>	<u>12,174,259</u>	<u>13,417,617</u>	<u>25,591,876</u>
<b>NET POSITION, ENDING</b>	<u>\$ 12,380,109</u>	<u>\$ 14,120,962</u>	<u>\$ 26,501,071</u>

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**  
**Exhibit 3**

	Major Funds	Non-Major Funds	
	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,929,221	\$ 145,830	\$ 3,075,051
Restricted cash	197,862	-	197,862
Taxes receivable, net	525,010	-	525,010
Accounts receivable, net	194,137	-	194,137
Due from other governments	442,885	9,534	452,419
Inventories	12,170	-	12,170
TOTAL ASSETS	<u>\$ 4,301,285</u>	<u>\$ 155,364</u>	<u>\$ 4,456,649</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 350,556	\$ 9,653	\$ 360,209
Miscellaneous liabilities	7,189	-	7,189
Total liabilities	<u>357,745</u>	<u>9,653</u>	<u>367,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	525,010	-	525,010
Prepaid taxes	5,973	-	5,973
Total deferred inflows of resources	<u>530,983</u>	<u>-</u>	<u>530,983</u>
<b>FUND BALANCES</b>			
<b>Non spendable:</b>			
Inventories	12,170	-	12,170
<b>Restricted:</b>			
Stabilization by state statute	637,022	-	637,022
Streets	197,862	-	197,862
<b>Assigned:</b>			
Public safety	12,916	-	12,916
Transportation	-	118,040	118,040
Economic and physical development	-	27,671	27,671
Subsequent year's expenditures	-	-	-
<b>Unassigned</b>	<u>2,552,587</u>	<u>-</u>	<u>2,552,587</u>
Total fund balances	<u>3,412,557</u>	<u>145,711</u>	<u>3,558,268</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,301,285</u>	<u>\$ 155,364</u>	<u>\$ 4,456,649</u>

*The accompanying footnotes are an integral part of these financial statements*



**Town of Williamston, North Carolina**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2016**  
**Exhibit 4**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position follows:

Total fund balances of governmental funds		\$ 3,558,268
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 19,641,837	
Less accumulated depreciation	<u>(9,458,680)</u>	
Net capital assets		10,183,157
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		122,573
Deferred outflows of resources related to pensions:		
Differences between contributions and proportional share of contributions and changes in proportion		1,099
Contributions made to the pension plan in current fiscal year		187,748
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		525,010
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:		
Installment financing debt		(124,000)
Internal balances		(226,130)
Other postemployment benefits		(1,324,873)
Compensated absences		(206,611)
Net pension liability		(203,889)
Deferred inflows of resources related to pensions:		
Differences between expected and actual experience		(47,925)
Differences between projected and actual earnings on plan investments		(58,047)
Differences between contributions and proportional share of contributions and changes in proportion		<u>(6,271)</u>
Net position of governmental activities		<u>\$ 12,380,109</u>

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 5**

	Major Funds	Non-Major Funds	Total Governmental Funds
	General	Other Governmental Funds	
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,891,674	\$ -	\$ 2,891,674
Other taxes and licenses	30,250	-	30,250
Unrestricted intergovernmental	1,519,788	-	1,519,788
Restricted intergovernmental	686,561	158,226	844,787
Permits and fees	3,516	-	3,516
Sales and services	493,909	-	493,909
Investment earnings	6,587	292	6,879
Miscellaneous and project income	343,778	-	343,778
Total revenues	5,976,063	158,518	6,134,581
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	504,424	-	504,424
Public safety	2,755,928	-	2,755,928
Transportation	477,683	-	477,683
Economic and physical development	136,474	75,000	211,474
Environmental protection	524,857	58,226	583,083
Cultural and recreational	964,411	-	964,411
<b>Debt service:</b>			
Principal	212,000	-	212,000
Interest and other charges	10,977	-	10,977
<b>Capital outlay</b>	-	64,908	64,908
Total expenditures	5,586,754	198,134	5,784,888
Revenues over (under) expenditures	389,309	(39,616)	349,693
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	37,339	-	37,339
Insurance claims	9,415	-	9,415
Loan repayments to Water & Sewer Fund	(22,614)	-	(22,614)
Transfers from other funds	-	34,860	34,860
Transfers to other funds	(99,860)	-	(99,860)
Total other financing sources (uses)	(75,720)	34,860	(40,860)
Revenues and other financing sources over (under) expenditures and other uses	313,589	(4,756)	308,833
<b>FUND BALANCES, BEGINNING</b>	3,101,900	150,467	3,252,367
Change in reserve for inventories	(2,932)	-	(2,932)
<b>FUND BALANCES, ENDING</b>	\$ 3,412,557	\$ 145,711	\$ 3,558,268

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 6**

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

Net changes in fund balances of governmental funds	\$ 308,833
Change in fund balance due to change in reserve for inventories	(2,932)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	631,040
Book value of capital asset disposals	(14,872)
Fair value of donated assets	7,516
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(797,006)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	187,645
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:	
Loan repayments to Water and Sewer Fund	22,614
Principal payments on long-term debt	212,000
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	(53,328)
Increase in accrued interest receivable on taxes	7,619
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Pension expense	(111,086)
Compensated absences	987
Other postemployment benefits	(193,180)
Total changes in net position of governmental activities	\$ 205,850

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 7**

General Fund				
Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,873,000	\$ 2,873,000	\$ 2,891,674	\$ 18,674
Other taxes and licenses	15,060	15,060	30,250	15,190
Unrestricted intergovernmental	1,442,000	1,440,200	1,519,788	79,588
Restricted intergovernmental	1,014,677	1,433,459	686,561	(746,898)
Permits and fees	3,700	3,700	3,516	(184)
Sales and services	614,739	614,739	493,909	(120,830)
Investment earnings	1,300	1,300	6,587	5,287
Miscellaneous income	5,105	194,833	343,778	148,945
Total revenues	<u>5,969,581</u>	<u>6,576,291</u>	<u>5,976,063</u>	<u>(600,228)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	935,854	952,326	504,424	447,902
Public safety	2,809,636	2,936,324	2,755,928	180,396
Transportation	587,471	587,471	477,683	109,788
Economic and physical development	147,132	147,132	136,474	10,658
Environmental protection	563,696	569,196	524,857	44,339
Cultural and recreational	671,367	1,029,417	964,411	65,006
<b>Debt service:</b>				
Principal	308,406	308,406	212,000	96,406
Interest and other charges	17,696	17,696	10,977	6,719
Total expenditures	<u>6,041,258</u>	<u>6,547,968</u>	<u>5,586,754</u>	<u>961,214</u>
Revenues over (under) expenditures	<u>(71,677)</u>	<u>28,323</u>	<u>389,309</u>	<u>360,986</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	11,000	11,000	37,339	26,339
Insurance claims	1,000	1,000	9,415	8,415
Installment purchase proceeds	82,291	82,291	-	(82,291)
Loan repayments to Water and Sewer Fund	(22,614)	(22,614)	(22,614)	-
Transfers to other funds	-	(100,000)	(99,860)	140
Total other financing sources (uses)	<u>71,677</u>	<u>(28,323)</u>	<u>(75,720)</u>	<u>(47,397)</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>313,589</u>	<u>\$ 313,589</u>
<b>FUND BALANCE, BEGINNING</b>			3,101,900	
Change in reserve for inventories			(2,932)	
<b>FUND BALANCE, ENDING</b>			<u>\$ 3,412,557</u>	

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2016**  
**Exhibit 8**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 6,043,872
Accounts receivable (net)	344,969
Loan receivable - General Fund	22,614
Restricted assets:	
Cash and cash equivalents	138,149
Due from other governments	940,900
Total current assets	7,490,504
<b>Non-current assets:</b>	
Loan receivable - General Fund	203,516
<b>Capital assets:</b>	
Land and other non-depreciable assets	1,529,783
Other capital assets, net of depreciation	9,860,646
Capital assets (net)	11,390,429
TOTAL ASSETS	19,084,449
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	29,221
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	19,678
Compensated absences payable - current	17,036
NC Clean Water Revolving Loan - current	571,855
Drinking Water State Revolving Loan - current	62,553
Installment purchase payable - current	110,663
Liabilities payable from restricted assets:	
Customer deposits	138,149
Total current liabilities	919,934
<b>Noncurrent liabilities:</b>	
Other postemployment benefits	96,562
Compensated absences payable	16,306
Net pension liability	31,549
NC Clean Water Revolving Loan	2,847,593
Drinking Water State Revolving Loan	1,063,396
Total noncurrent liabilities	4,055,406
TOTAL LIABILITIES	4,975,340
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	17,368
<b>NET POSITION</b>	
Net investment in capital assets	6,734,369
Unrestricted	7,386,593
TOTAL NET POSITION	\$ 14,120,962

*The accompanying footnotes are an integral part of these financial statements*

Town of Williamston, North Carolina  
Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2016  
Exhibit 9

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,665,488
Water and sewer taps	5,800
Other operating revenues	42,740
Total operating revenues	4,714,028
<b>OPERATING EXPENSES</b>	
Water treatment and distribution	2,138,331
Water District 1	42,742
Water District 2	144,180
Waste collection and treatment	1,130,086
Depreciation	622,585
Total operating expenses	4,077,924
Operating income	636,104
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	20,110
Miscellaneous	1,377
Interest and other charges	(55,939)
Total nonoperating revenues (expenses)	(34,452)
Income before contributions and transfers	601,652
Capital contributions	36,693
Transfers from other funds	65,000
<b>CHANGE IN NET POSITION</b>	703,345
<b>TOTAL NET POSITION, BEGINNING</b>	13,417,617
<b>TOTAL NET POSITION, ENDING</b>	\$ 14,120,962

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 10**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,665,269
Cash paid for goods and services	(2,926,107)
Cash paid to or on behalf of employees for services	(555,042)
Customer deposits received (net)	14,218
Net cash provided by operating activities	1,198,338
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Decrease in due to other funds	(149,454)
Transfers from other funds	65,000
Miscellaneous revenue	1,377
Net cash provided (used) by noncapital financing activities	(83,077)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
NC Department of Environmental Quality - Wastewater TAG Grant	36,693
Acquisition and construction of capital assets	(1,293,296)
Principal paid on NC Clean Water Revolving Loan	(360,340)
Principal paid on NC Drinking Water State Revolving Loan	(62,553)
Principal paid on installment purchase contract	(147,551)
Interest paid on NC Clean Water Revolving Loan	(48,090)
Interest paid on installment purchase contract	(7,849)
Net cash provided (used) by capital and related financing activities	(1,882,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	20,110
Loan repayments from General Fund	22,614
Net cash provided by investing activities	42,724
Net increase (decrease) in cash and cash equivalents	(725,001)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	6,907,022
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 6,182,021

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 10**

<b>Water and Sewer Fund</b>
---------------------------------

**RECONCILIATION OF OPERATING INCOME TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 636,104
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	622,585
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	46,978
Increase (decrease) in allowance for doubtful accounts	(95,737)
(Increase) decrease in net pension asset	44,586
(Increase) decrease in deferred outflows of resources - pensions	1,676
Increase (decrease) in net pension liability	31,549
Increase (decrease) in deferred inflows of resources - pensions	(91,297)
Increase (decrease) in accounts payable and accrued liabilities	(32,328)
Increase (decrease) in customer deposits	14,218
Increase (decrease) in compensated absences payable	3,192
Increase (decrease) in accrued OPEB liability	16,812
Total adjustments	562,234
Net cash provided by operating activities	\$ 1,198,338

*The accompanying footnotes are an integral part of these financial statements*



**Town of Williamston, North Carolina**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**  
**Exhibit 11**

	<b>OPEB Trust Fund</b>	<b>Martin Memorial Library Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 36,141
Investments	310,247	-
<b>TOTAL ASSETS</b>	<u>\$ 310,247</u>	<u>\$ 36,141</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position:</b>		
Assets held in trust for OPEB benefits	310,247	-
Assets held in trust for citizens of the Town of Williamston	-	36,141
<b>TOTAL NET POSITION</b>	<u>\$ 310,247</u>	<u>\$ 36,141</u>

*The accompanying footnotes are an integral part of these financial statements*

**Town of Williamston, North Carolina**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2016**  
**Exhibit 12**

	OPEB Trust Fund	Martin Memorial Library Trust Fund
<b>ADDITIONS:</b>		
Employer contributions	\$ 129,234	\$ -
Investment income:		
Net appreciation in fair value of investments	(6,632)	-
Interest	5,960	81
Total additions	<u>128,562</u>	<u>81</u>
<b>DEDUCTIONS:</b>		
Benefits	79,234	-
Library repairs	-	375
Total deductions	<u>79,234</u>	<u>375</u>
Change in net position	49,328	(294)
<b>NET POSITION, BEGINNING</b>	<u>260,919</u>	<u>36,435</u>
<b>NET POSITION, ENDING</b>	<u>\$ 310,247</u>	<u>\$ 36,141</u>

*The accompanying footnotes are an integral part of these financial statements*

## **Notes to the Financial Statements**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Williamston 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 Williamston is a municipal corporation that is governed by an elected mayor and a five-member council.

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

### B. Basis of Presentation

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

**Fund Financial Statements:** The fund financial statements provide information about the Town's funds, including the fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

## Town of Williamston, North Carolina Notes to the Financial Statements

The Town reports the following major governmental funds:

**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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental funds:

**Grant Project Special Revenue Fund.** This fund is used to account for two grant project funds that are restricted for use for a particular purpose.

**Capital Projects Fund.** This fund is used to account for two governmental capital projects that are related to transportation improvements.

The Town reports the following major enterprise fund:

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

The Town reports the following fund types:

**Fiduciary Funds.** Fiduciary funds are used to account for assets the Town holds on behalf of others. The Town maintains one Other Postemployment Benefits Trust Fund and one Private Purpose Trust Fund.

**Other Postemployment Benefits Trust Fund.** The Town maintains the Other Postemployment Benefits Trust Fund to report resources that are required to be held in trust for the members of the Other Postemployment Benefits Plan. The Other Postemployment Benefits Fund accounts for the Town's contributions for healthcare coverage provided to qualified retirees.

**Private Purpose Trust Fund.** The Martin Memorial Library Fund represents excess citizen contributions left over after library construction. The funds are used to maintain and repair the library as needed.

### C. Measurement Focus and Basis of Accounting

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

**Government-wide, Proprietary and Fiduciary Fund Financial Statements.** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, 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.

## Town of Williamston, North Carolina Notes to the Financial Statements

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise 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 nonoperating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 Williamston because the tax is levied by Martin 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Special Revenue Funds, Capital Projects Funds and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The Town administrator is authorized to reallocate appropriations within departments and may execute interdepartmental transfers, within the same fund, not to exceed ten percent (10%) of the appropriated monies for the department whose allocation is reduced. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT - Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

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

##### **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and cash investments with maturities of three months or less are considered cash and cash equivalents.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Restricted cash as of June 30, 2016 was comprised of the following amounts:

**Governmental Activities**

**General Fund:**

Powell Bill funds	\$ 197,862
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**Business-type activities**

**Water and Sewer Fund:**

Customer utility deposits	<u>138,149</u>
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Total restricted cash	<u><u>\$ 336,011</u></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.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of motor fuels that are recorded as expenditures when consumed rather than when purchased.

Enterprise fund supplies are not inventoried at year-end because the amounts are considered immaterial.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the year of implementing GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

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

Asset Class	Estimated Useful Lives
Infrastructure	30-60
Buildings	10-30
Land improvements	20-25
Plant and distribution/collection systems	20-30
Vehicles and motorized equipment	5-30
Equipment and furniture	5-20
Computer equipment	3-7

**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 meet this criterion, changes in proportion and differences between employer contributions and proportionate share of contributions and contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

**9. Long-Term Obligations**

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

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

## 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. Net Position/Fund Balances

### Net Position

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

### 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 an 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 Streets** - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

## Town of Williamston, North Carolina Notes to the Financial Statements

**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 Williamston’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned fund balance** – portion of fund balance that the Town of Williamston intends to use for specific purposes.

**Assigned for Public Safety** – portion of fund balance that has been budgeted by the Board for police related drug enforcement activities.

**Assigned for Transportation** – portion of fund balance that has been budgeted by the Board for transportation or drainage related capital projects.

**Assigned for Economic and Physical Development** – portion of fund balance that has been budgeted by the Board for economic and physical development activities in special revenue funds.

**Subsequent year’s expenditures** – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

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

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

### 12. Pensions

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

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**F. Reconciliation of Government-Wide and Fund Financial Statements**

**1. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$8,821,841 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide governmental activities column)	\$ 19,641,837
Less accumulated depreciation	<u>(9,458,680)</u>
Net capital assets	10,183,157
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	122,573
Deferred outflows of resources related to pensions:	
Differences between contributions and proportional share of contributions and changes in proportion	1,099
Contributions made to the pension plan in current fiscal year	187,748
Liabilities for earned revenues considered deferred inflows of resources in fund statements	525,010
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:	
Installment financing debt	(124,000)
Internal balances	(226,130)
Other postemployment benefits	(1,324,873)
Compensated absences	(206,611)
Net pension liability	(203,889)
Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	(47,925)
Differences between projected and actual earnings on plan investments	(58,047)
Differences between contributions and proportional share of contributions and changes in proportion	<u>(6,271)</u>
Total adjustment	<u>\$ 8,821,841</u>

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**2. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$102,983 as follows:

Description	Amount
Change in fund balance due to change in reserve for inventories	\$ (2,932)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	631,040
Book value of capital asset disposals	(14,872)
Fair value of donated assets	7,516
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(797,006)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	187,645
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:	
Loan repayment to Water and Sewer Fund	22,614
Principal payments on long-term debt	212,000
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	(53,328)
Increase in accrued interest receivable on taxes	7,619
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Pension expense	(111,086)
Compensated absences	987
Other postemployment benefits	(193,180)
Total adjustment	<u>\$ (102,983)</u>

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

**1. Noncompliance with North Carolina General Statutes**

None were detected by our audit.

**2. Contractual Violations**

None were detected by our audit.

**B. Deficit in Fund Balance or Net Position of Individual Funds**

None were detected by our audit.

**C. Excess of Expenditures over Appropriations**

None were detected by our audit.

**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 name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact 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.

At June 30, 2016, the Town's deposits had a carrying amount of \$2,372,627 and a bank balance of \$2,669,797. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the Town's petty cash fund totaled \$150.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**2. Investments and Fair Value Measurements**

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under fair value measurements are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	<p>Inputs to the valuation methodology include</p> <ul style="list-style-type: none"> <li>• Quoted prices for similar assets or liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• Inputs other than quoted prices that are observable for the asset or liability;</li> <li>• Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.</li> </ul> <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2016, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 4,035,030	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	3,083,268	0.14 years	Unrated
Total Investments		<u>\$ 7,118,298</u>		

## Town of Williamston, North Carolina Notes to the Financial Statements

The above investment figures for the North Carolina Capital Management Trust – Cash Portfolio include a Fiduciary Fund that had funds invested in the amount of \$36,141. Fiduciary Funds do not appear on the Statement of Net Position.

### OPEB Trust Fund Investments

At June 30, 2016, the Town’s investment balances in the OPEB Trust Fund were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Short Term Investment Fund (STIF)	Fair Value - Level 1	\$ 75,986	1.5 years	Unrated
Blackrock Global Ex-US Alpha Tilts Fund B	Fair Value - Level 1	49,312	N/A	Unrated
Blackrock Russell 3000 Alpha Tilts Fund B	Fair Value - Level 1	153,311	N/A	Unrated
NC Long Term Investment Fund (LTIF)	Fair Value - Level 2	31,638	17.9 years	Unrated
Total OPEB Trust Fund Investments		<u>\$ 310,247</u>		

**BlackRock’s Global Ex-US Alpha Tilts Fund B and BlackRock’s Russell 3000 Alpha Tilts Fund B** - One domestic equity fund and one international equity fund are considered to be commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

**LTIF** - Investments in the External Investment Pool - Long Term Investment Fund (LTIF) are classified in Level 2 of the fair value hierarchy. Ownership interests in the LTIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. At year-end, the LTIF had a weighted average maturity of 17.9 years and did not have a credit rating.

**Interest Rate Risk.** The Town has no formal investment policy regarding interest rate risk.

**Credit risk.** The Town has no formal policy regarding credit risk. The Town’s investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2016. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.



**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**3. Receivables – Allowances for Doubtful Accounts**

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Due from Other Governments	Total
<b>Governmental activities:</b>					
General	\$ 194,137	\$ 561,806	\$ 122,573	\$ 442,885	\$ 1,321,401
Other governmental	-	-	-	9,534	9,534
Total receivables	194,137	561,806	122,573	452,419	1,330,935
Allowance for doubtful accounts	-	(36,796)	-	-	(36,796)
Total governmental activities	<u>\$ 194,137</u>	<u>\$ 525,010</u>	<u>\$ 122,573</u>	<u>\$ 452,419</u>	<u>\$ 1,294,139</u>
<b>Business-type activities</b>					
Water and sewer	\$ 453,941	\$ -	\$ -	\$ 940,900	\$ 1,394,841
Allowance for doubtful accounts	(108,972)	-	-	-	(108,972)
Total business-type activities	<u>\$ 344,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,900</u>	<u>\$ 1,285,869</u>

The due from other governments that is owed to the Town consists of the following:

**General Fund:**

Sales tax refund	\$ 72,514
Local option sales tax	181,454
Utility franchise tax	100,103
NC Division of Emergency Management	383
NC Department of Public Safety - Regional Response Team Grant	11,302
Martin County - fire district taxes	24,929
Martin County - vehicle taxes	52,200

**Other Governmental Funds:**

EPA - Brownfields Assessment Grants	9,534
Total	<u>\$ 452,419</u>

**Water and Sewer Fund:**

Annexation Area A Project:	
NC Clean Water Revolving Loan	<u>\$ 940,900</u>

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**4. Capital Assets**

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

	Beginning Balances	Increases and Transfers	Decreases and Transfers	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 707,276	\$ 15,588	\$ -	\$ 722,864
Construction in progress	797,412	64,908	51,250	811,070
Total capital assets not being depreciated	<u>1,504,688</u>	<u>80,496</u>	<u>51,250</u>	<u>1,533,934</u>
<b>Capital assets being depreciated:</b>				
Buildings	3,157,873	336,170	15,464	3,478,579
Land improvements	2,031,322	-	-	2,031,322
Equipment and furniture	2,070,698	37,851	28,359	2,080,190
Vehicles and motorized equipment	3,906,954	184,038	166,102	3,924,890
Infrastructure	6,541,672	51,250	-	6,592,922
Total capital assets being depreciated	<u>17,708,519</u>	<u>609,309</u>	<u>209,925</u>	<u>18,107,903</u>
<b>Less accumulated depreciation for:</b>				
Buildings	2,378,703	77,508	6,158	2,450,053
Land improvements	789,174	104,225	-	893,399
Equipment and furniture	1,334,708	131,584	28,359	1,437,933
Vehicles and motorized equipment	2,668,778	285,694	160,537	2,793,935
Infrastructure	1,685,365	197,995	-	1,883,360
Total accumulated depreciation	<u>8,856,728</u>	<u>\$ 797,006</u>	<u>\$ 195,054</u>	<u>9,458,680</u>
Total capital assets being depreciated, net	<u>8,851,791</u>			<u>8,649,223</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 10,356,479</u>			<u>\$ 10,183,157</u>

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

General government	\$ 31,286
Public safety	285,802
Transportation	212,648
Economic and physical development	13,252
Environmental protection	25,631
Cultural and recreational	228,387
Total depreciation expense	<u>\$ 797,006</u>

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

	Beginning Balances	Increases and Transfers	Decreases and Transfers	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 112,022	\$ -	\$ -	\$ 112,022
Construction in progress	217,530	1,200,230	-	1,417,760
Total capital assets not being depreciated	<u>329,552</u>	<u>1,200,230</u>	<u>-</u>	<u>1,529,782</u>
<b>Capital assets being depreciated:</b>				
Buildings	217,012	-	-	217,012
Land improvements	56,349	-	-	56,349
Plant and distribution/collection systems	21,897,637	-	-	21,897,637
Equipment and furniture	494,551	14,571	13,741	495,381
Vehicles and motorized equipment	315,377	59,442	15,276	359,543
Total capital assets being depreciated	<u>22,980,926</u>	<u>74,013</u>	<u>29,017</u>	<u>23,025,922</u>
<b>Less accumulated depreciation for:</b>				
Buildings	122,520	7,616	-	130,136
Land improvements	14,087	2,818	-	16,905
Plant and distribution systems	11,829,183	569,443	-	12,398,626
Equipment and furniture	372,747	19,243	13,741	378,249
Vehicles and motorized equipment	233,170	23,465	15,276	241,359
Total accumulated depreciation	<u>12,571,707</u>	<u>\$ 622,585</u>	<u>\$ 29,017</u>	<u>13,165,275</u>
Total capital assets being depreciated, net	<u>10,409,219</u>			<u>9,860,647</u>
<b>Water and Sewer Fund capital assets, net</b>	<u>\$ 10,738,771</u>			<u>\$ 11,390,429</u>

**5. Construction Commitments**

The Town has active construction projects as of June 30, 2016. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Annexation Area A - Technical services	\$ 418,959	\$ 198,041
Annexation Area A - Construction	794,628	2,361,978
Total	<u>\$ 1,213,587</u>	<u>\$ 2,560,019</u>

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2016, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Other</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 243,345	\$ 107,211	\$ 7,189	\$ 357,745
Other Governmental	9,653	-	-	9,653
Total governmental activities	<u>\$ 252,998</u>	<u>\$ 107,211</u>	<u>\$ 7,189</u>	<u>\$ 367,398</u>
<b>Business-type Activities:</b>				
Water and sewer	\$ 3,431	\$ 16,247	\$ -	\$ 19,678

**2. Pension Plan and Postemployment Obligations**

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

**Plan Description.** The Town of Williamston 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](http://www.osc.nc.gov).

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

## Town of Williamston, North Carolina Notes to the Financial Statements

contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Williamston 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 Williamston's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Williamston were \$216,799 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$235,438 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.05246%, which was a decrease of 0.00154% from its proportion measured as of June 30, 2014.

## Town of Williamston, North Carolina Notes to the Financial Statements

For the year ended June 30, 2016, the Town recognized pension expense of \$126,753. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 55,341
Net difference between projected and actual earnings on pension plan investments	-	67,029
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,269	7,241
Town contributions subsequent to the measurement date	216,799	-
Total	<u>\$ 218,068</u>	<u>\$ 129,611</u>

\$216,799 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2017	\$ (79,571)
2018	(79,571)
2019	(79,490)
2020	110,290
2021	-
Thereafter	-

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

Inflation	3.0 percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

## Town of Williamston, North Carolina Notes to the Financial Statements

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

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

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

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

***Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate.***

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

<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
--------------------------------	--------------------------------------	--------------------------------

Town's proportionate share of the net pension liability (asset)    \$ 1,641,735    \$ 235,437    \$ (949,338)

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

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

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u><u>21</u></u>

A separate report was not issued for the plan.

***Summary of Significant Accounting Policies:***

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



## Town of Williamston, North Carolina Notes to the Financial Statements

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

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

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

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

**Annual Pension Cost and Net Pension Obligation.** The Town has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial. There was no expense since there were no benefit payments to current retirees during the fiscal year.

### **c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$103,509, which consisted of \$42,017 from the Town and \$61,492 from the law enforcement officers and other employees not engaged in law enforcement.

The Town also offers its general employees the option to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Regardless of the employees' elective deferral, the Town does not contribute to the plan.

**d. Firefighters' and Rescue Squad Workers' Pension Fund**

**Plan Description.** The State of North Carolina contributes, on behalf of the Town of Williamston, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighters' and Rescue Squad Workers' Pension Fund 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 the Firefighters' and Rescue Squad Workers' Pension Fund. 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](http://www.osc.nc.gov).

**Benefits Provided.** FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

**Contributions.** Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The Town's proportionate share of the State's contribution is \$1,214.

**Refunds of Contributions** – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

**e. Other Postemployment Benefit**

**Healthcare Benefits**

**Plan Description.** Under the terms of a Town resolution, the Town provides healthcare benefits to employees hired before July 1, 2013 through the Healthcare Benefits Plan (the HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who retire (under early, normal or disabled retirement conditions) from the North Carolina Local Government Employees' Retirement System (NCLGERS) and must meet certain requirements in order to qualify for OPEB upon retirement. Only those that retire due to becoming permanently disabled while performing a job-related duty qualify for OPEB.

## Town of Williamston, North Carolina Notes to the Financial Statements

- A) Employees with at least 11 years of service with the Town as of July 1, 2013 qualify for OPEB.
- B) Employees with less than 11 years of service with the Town as of July 1, 2013 must have the last 11 years of service with the Town of Williamston, and must meet one of the requirements in section 1 or section 2 to qualify for OPEB upon retirement.
- 1) Employees excluding full-time Law Enforcement:
    - i. Employees younger than age 60 that have 20 years of NCLGERS service qualify for OPEB.
    - ii. Employees age 60 (age 55 for Fire Engineer/EMT) and older that have 11 years of NCLGERS service qualify for OPEB.
  - 2) Full-time Law Enforcement:
    - i. Employees age 50 to 54 that have 15 years of NCLGERS service qualify for OPEB.
    - ii. Employees age 55 and older that have 11 years of NCLGERS service qualify for OPEB.

Employees hired July 1, 2013 or later are not eligible for OPEB.

Health care, prescription drug coverage, dental coverage and life insurance are provided in the Town's group health plan to retirees under Medicare age. Vision coverage is available at the retirees' expense. In addition, the Town will reimburse retirees participating in the group health plan up to \$750 of group medical insurance deductibles incurred by the retiree during the plan year once the retiree has met the first \$1,500 up to \$2,250 of the retiree only (not including dependents) deductible expense, and up to \$1,000 for employees who pay out over the current \$3,000 deductible to the new \$4,000 out-of-pocket maximum.

A standard Medicare Supplement Plan providing health care only may be paid for retirees once they reach Medicare eligibility age. Dental, vision and life insurance are available at the Medicare eligible retirees' expense, as is prescription drug coverage. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates under certain conditions as explained below. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

***Dependent Coverage.*** The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the retiree becoming eligible for Medicare (attaining age 65), upon the spouse becoming eligible for Medicare (attaining age 65) or upon the retirees' death, whichever comes first.

## Town of Williamston, North Carolina Notes to the Financial Statements

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Membership	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	15	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	47	12
Total	62	13

**Funding Policy.** The Town Council established the contribution requirements of plan members which may be amended by the Board. Per a Town resolution dated October 7, 2013, the Town created an Other Post-Employment Benefits (OPEB) Trust Fund to be administered by the NC Department of State Treasurer. The Town is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board.

The Town contributes toward the cost of retiree health, dental and life insurance premiums until the retiree becomes eligible for Medicare. The Town contributes 50% of the total retiree and dependent dental and life insurance premiums. Life insurance consists of retiree life (a factor of 1 times annual salary at retirement rounded to the next highest \$1,000, with a \$100,000 maximum) and dependent life (up to \$2,000 maximum). Retiree life benefits reduce at scheduled ages, with the first reduction occurring at age 55 with a 50% reduction factor.

For employees retired before June 16, 2008, coverage in the group health plan will continue until the retiree becomes Medicare eligible. The Town pays based on the schedule below:

Employees Retired Before June 16, 2008		
Years of Service with Town at Retirement	Town Contribution Toward Employee Only Coverage	
	Pre-65	Post-65
20 or more	100%	0%
17-19	100%	0%
14-16	100%	0%
11-13	100%	0%
0-10	100%	0%

## Town of Williamston, North Carolina Notes to the Financial Statements

For employees retired after June 16, 2008 and before July 1, 2013, coverage in the group health plan will continue until the retiree becomes Medicare eligible, at which time coverage can be converted to a Medicare Supplement Plan with the Town paying a percentage of the Medicare Supplement Plan premium. The Town pays based on the schedule below:

<b>Employees Retired Between June 16, 2008 and July 1, 2013</b>		
<b>Years of Service with Town at Retirement</b>	<b>Town Contribution Toward Employee Only Coverage</b>	
	<b>Pre-65</b>	<b>Post-65</b>
20 or more	100%	100%
17-19	100%	75%
14-16	100%	50%
11-13	100%	25%
0-10	100%	0%

For employees retiring on or after July 1, 2013, coverage in the group health plan may continue until the retiree becomes Medicare eligible, at which time coverage can be converted to a Medicare Supplement Plan with the Town paying a percentage or dollar amount of the Medicare Supplement Plan premium. The benefits vary based on the schedules below:

<b>Employees with at least 11 Years of Service with the Town as of July 1, 2013</b>		
<b>Years of Service with Town at Retirement</b>	<b>Town Contribution Toward Employee Only Coverage</b>	
	<b>Pre-65</b>	<b>Post-65</b>
20 or more	100%	100%
17-19	100%	75%
14-16	100%	50%
11-13	100%	25%

<b>Employees with less than 11 Years of Service with the Town as of July 1, 2013</b>		
<b>Years of Service with Town at Retirement</b>	<b>Town Contribution Toward Employee Only Coverage</b>	
	<b>Pre-65</b>	<b>Post-65 Cap</b>
20 or more	100%	\$125.00
17-19	75%	\$93.75
14-16	50%	\$62.50
11-13	25%	\$31.25

## Town of Williamston, North Carolina

### Notes to the Financial Statements

The current annual required contribution (ARC) rate is 12.91% of annual covered payroll. For the current year, the Town contributed \$129,234 or 4.88% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 10.67% and 2.24% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage amounts. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

**Summary of Significant Accounting Policies.** The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a Town resolution, the contributions are recognized when due and the Town is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the HCB Plan are financed through investment earnings.

**Annual OPEB Cost and Net OPEB Obligation.** The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 358,132
Interest on net OPEB obligation	48,457
Adjustment to annual required contribution	(67,363)
Annual OPEB cost (expense)	<u>339,226</u>
Contributions made	<u>(129,234)</u>
Increase (decrease) in net OPEB obligation	209,992
Net OPEB obligation, beginning of year	<u>1,211,443</u>
Net OPEB obligation, end of year	<u><u>\$ 1,421,435</u></u>

## Town of Williamston, North Carolina Notes to the Financial Statements

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

3 Year Trend Information			
For Years Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 339,226	38.1%	\$ 1,421,435
2015	\$ 341,516	57.0%	\$ 1,211,443
2014	\$ 363,905	60.1%	\$ 1,064,729

**Funded Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the plan was 4.2% funded. The actuarially accrued liability for benefits was \$3,740,425, and the actuarial value of assets was \$157,883, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,582,542. The covered payroll (annual payroll of active employees covered by the plan) was \$2,645,916, and the ratio of the UAAL to the covered payroll was 135.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.5 to 5.00 percent for pre-Medicare costs and 5.5 to 5.00 percent for post-Medicare costs annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

## Town of Williamston, North Carolina Notes to the Financial Statements

### 3. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

### 4. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year-end are comprised of the following:

Source	Amount
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 1,269
Contributions to pension plan in current fiscal year	216,799
Total	<u>\$ 218,068</u>

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

Source	Amount
Prepaid taxes (General Fund)	\$ 5,973
Property taxes receivable (General Fund)	525,010
Pension deferrals	129,611
Total	<u>\$ 660,594</u>

### 5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000; and \$1,000,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insured values.



## Town of Williamston, North Carolina Notes to the Financial Statements

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible for and has purchased coverage of \$604,100 for the Wastewater Treatment Plant through the NFIP.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

### 6. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the Town was a defendant to one lawsuit. In the opinion of the Town's management and the Town's attorney, the ultimate effect of this legal matter will not have a material adverse effect on the Town's financial position.

### 7. Long-Term Obligations

#### a. Installment Purchase

In April 2013, the Town entered into an installment purchase contract to finance a fire truck. The financing contract requires quarterly principal payments of \$15,500 with an interest rate of 1.5%.

The future minimum payments of the installment purchase as of June 30, 2016, including \$2,092 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 62,000	\$ 1,511	\$ 63,511
2018	62,000	581	62,581
Totals	<u>\$ 124,000</u>	<u>\$ 2,092</u>	<u>\$ 126,092</u>

Current fiscal year interest paid of \$2,441 has been reported as an expense on the Statement of Activities.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**b. NC Clean Water Revolving Loan**

The Town is financing a wastewater treatment plant renovation by means of a NC Clean Water Revolving Loan. Interest will accrue at the rate of 2.6% per annum and will be paid semiannually on or before November 1 and May 1.

The future minimum payments of the NC Clean Water Revolving Loan as of June 30, 2016, including \$120,228 of interest, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 308,275	\$ 40,076	\$ 348,351
2018	308,275	32,061	340,336
2019	308,275	24,045	332,320
2020	308,275	16,030	324,305
2021	308,273	8,016	316,289
Totals	<u>\$ 1,541,373</u>	<u>\$ 120,228</u>	<u>\$ 1,661,601</u>

Related interest expense for the year ended June 30, 2016 in the amount of \$48,090 has been reported as a direct water and sewer functional expense on the Statement of Activities.

**c. Installment Purchase**

In March 2007, the Town entered into an installment purchase contract to finance construction related to the wastewater treatment plant chlorination project. The financing contract requires quarterly principal payments of \$36,888 with an interest rate of 3.92%.

The future minimum payments of the installment purchase as of June 30, 2016, including \$2,169 of interest, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 110,663	\$ 2,169	\$ 112,832

Related interest expense for the year ended June 30, 2016 in the amount of \$7,953 has been reported as a direct water and sewer functional expense on the Statement of Activities.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**d. NC Clean Water Revolving Loan**

The Town is financing a sanitary sewer rehabilitation project by means of a NC Clean Water Revolving Loan. Annual debt service requirements on the 0% loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 52,065	\$ -	\$ 52,065
2018	52,065	-	52,065
2019	52,065	-	52,065
2020	52,065	-	52,065
2021	52,065	-	52,065
Next 5 years	260,326	-	260,326
Next 5 years	260,326	-	260,326
Next 5 years	156,198	-	156,198
Totals	<u>\$ 937,175</u>	<u>\$ -</u>	<u>\$ 937,175</u>

**e. NC Drinking Water Revolving Loan**

The Town is financing a water system control improvements project by means of a NC Drinking Water Revolving Loan. Annual debt service requirements on the 0% loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 62,553	\$ -	\$ 62,553
2018	62,553	-	62,553
2019	62,553	-	62,553
2020	62,553	-	62,553
2021	62,553	-	62,553
Next 5 years	312,764	-	312,764
Next 5 years	312,764	-	312,764
Next 5 years	187,656	-	187,656
Totals	<u>\$ 1,125,949</u>	<u>\$ -</u>	<u>\$ 1,125,949</u>

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**f. NC Clean Water Revolving Loan**

As of June 30, 2016, the Town had drawn \$940,900 of what will be a \$4,230,300 NC Clean Water Revolving Loan related to water and sewer line improvements in Annexation Area A. In accordance with the rules governing the Revolving Loan program, the first payment of principal on the loan is due May 1, 2017. Interest will accrue at the rate of 1.84% per annum and will be paid semiannually on or before November 1 and May 1.

The future minimum payments of the NC Clean Water Revolving Loan as of June 30, 2016, including \$781,467 of interest, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 211,515	\$ 42,011	\$ 253,526
2018	211,515	73,946	285,461
2019	211,515	70,054	281,569
2020	211,515	66,162	277,677
2021	211,515	62,270	273,785
Next 5 years	1,057,575	252,970	1,310,545
Next 5 years	1,057,575	155,676	1,213,251
Next 5 years	1,057,575	58,378	1,115,953
Totals	<u>\$ 4,230,300</u>	<u>\$ 781,467</u>	<u>\$ 5,011,767</u>

No interest expense was reported for the year ended June 30, 2016.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**g. Changes in Long-Term Liabilities**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>	<b>Current Portion of Balance</b>
<b>Governmental activities:</b>					
Installment purchase - Williamston Recreation Park	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
Installment purchase - Fire Truck	186,000	-	62,000	124,000	62,000
Other postemployment benefits	1,131,693	193,180	-	1,324,873	-
Compensated absences	207,598	-	987	206,611	113,026
Net pension liability (LGERS)	-	203,889	-	203,889	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 1,675,291</b>	<b>\$ 397,069</b>	<b>\$ 212,987</b>	<b>\$ 1,859,373</b>	<b>\$ 175,026</b>

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>	<b>Current Portion of Balance</b>
<b>Business-type activities:</b>					
NC Clean Water Revolving Loan	\$ 1,849,648	\$ -	\$ 308,275	\$ 1,541,373	\$ 308,275
NC Clean Water Revolving Loan	989,240	-	52,065	937,175	52,065
NC Clean Water Revolving Loan	-	940,900	-	940,900	211,515
Drinking Water State Revolving Loan	1,188,502	-	62,553	1,125,949	62,553
Installment purchase - WWTP Chlorination Project	258,214	-	147,551	110,663	110,663
Other postemployment benefits	79,750	16,812	-	96,562	-
Compensated absences	30,150	3,192	-	33,342	17,036
Net pension liability (LGERS)	-	31,549	-	31,549	-
<b>Business-type activity long-term liabilities</b>	<b>\$ 4,395,504</b>	<b>\$ 992,453</b>	<b>\$ 570,444</b>	<b>\$ 4,817,513</b>	<b>\$ 762,107</b>

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

At June 30, 2016, the Town of Williamston had a legal debt margin of \$25,530,599.

**C. Interfund Balances and Activity**

**Balances Due to/from Other Funds**

There are no balances due to/from other funds at June 30, 2016.

**Internal Balances**

Instead of using external financing, the Water and Sewer Fund loaned money to the General Fund so that the General Fund could acquire various capital assets. The terms of this loan are as follows:

The Water and Sewer Fund loaned the General Fund \$339,200 on July 13, 2011 with interest at 2.0% to fund the improvements to the Skinner Warehouse. Annual repayments are set at \$22,614 principal plus interest. The balance at June 30, 2016 was \$226,130. The loan will be repaid by June 2026.

\$ 226,130

Interest expense in the General Fund and the related interest income in the Water and Sewer Fund related to these internal balances was \$4,975.

**Transfers to/from Other Funds**

From the General Fund to the Annexation Area A Project	\$ 65,000
From the General Fund to the Annexation Area E Project	<u>34,860</u>
Total	<u>\$ 99,860</u>

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

During the 2016 fiscal year, the Town made a one-time transfer from the General Fund of \$65,000 to finance annexation activities in the Annexation Area A Project and also made a one-time transfer from the General Fund of \$34,860 to finance annexation activities in the Annexation Area E Project.

**Town of Williamston, North Carolina**  
**Notes to the Financial Statements**

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2016, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$472 for the 7 employed firefighters who perform firefighting duties for the Town’s fire department and on-behalf payments of \$742 as a revenue and an expenditure for the 11 employed rescue squad workers. The employees elected to be members of the Firefighter’s and Rescue Squad Workers’ Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**E. Fund Balance**

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 3,412,557</b>
Less:	
Inventories	12,170
Stabilization by State Statute	637,022
Streets - Powell Bill	197,862
Assigned for Public Safety	12,916
Appropriated Fund Balance in 2017 budget	-
<b>Remaining Fund Balance</b>	<b>\$ 2,552,587</b>

**IV. JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with five counties and various other municipalities, established the Mid-East Commission Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council’s governing board. The Town of Williamston paid membership fees of \$1,584 to the Council during the fiscal year ended June 30, 2016.

**V. RELATED ORGANIZATION**

The five-member board of the Town of Williamston Housing Authority is appointed by the Commissioners of the Town of Williamston. 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 of the Williamston Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority’s offices at 504 E. Main Street, Williamston, NC 27892.

## **VI. RELATED PARTY TRANSACTIONS**

No significant or improper related party transactions were detected by our audit.

## **VII. 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.

## **VIII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through December 21, 2016, the date which the financial statements were available to be issued.

In July 2016, the Town awarded a \$23,400 roof repair contract related to a recreational building.

In September 2016, the Town awarded a \$1,069,598 street improvements contract related to the Annexation Area A Project.

In October 2016, the Town was awarded a \$335,000 NC Main Street Grant from the NC Department of Commerce for downtown urban redevelopment of three properties to create opportunities for local businesses.

In October 2016, the NC Local Government Commission approved the Town's application to finance reconstruction of streets in an annexation area to Town specifications and resurfacing of existing streets through an installment financing contract in the amount of \$600,000. The installment financing contract calls for a five year payback period with interest at 1.73%. The first of five scheduled annual repayments of principle in the amount of \$120,000 is due October 13, 2017.

In October 2016, Hurricane Matthew damaged the Skewarkee drainage canal causing significant damage in two locations. It is unknown at this time if FEMA will assist in the repair. If FEMA does not assist in the repair, it could be an expensive repair for the Town.

In November 2016, the Town accepted a \$150,000 grant from the NC Department of Environment and Natural Resources for an Asset Inventory Assessment Project for the Town water system. The grant requires a \$7,500 Town match of which \$3,500 can be offset by Town staff labor.

In November 2016, the Town appointed a new Town Administrator. The Town had been operating with an Interim Town Administrator since June 2016.



## **Required Supplementary Financial Data**

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This Section contains additional information required by generally accepted accounting principles.

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- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Town of Williamston, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Revenues by Source</u>	<u>Expenses by Type</u>
	<u>Employer Contributions</u>	<u>Benefits</u>
2007	\$ -	\$ -
2008	\$ -	\$ -
2009	\$ -	\$ -
2010	\$ -	\$ -
2011	\$ 3,273	\$ 3,273
2012	\$ 13,312	\$ 13,312
2013	\$ 13,276	\$ 13,276
2014	\$ 13,276	\$ 13,276
2015	\$ 3,201	\$ 3,201
2016	\$ -	\$ -

**Town of Williamston, North Carolina**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Projected Unit Credit ( b )	Unfunded AAL (UAAL) ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a % of Covered Payroll ( ( b - a ) / c )
12/31/14	\$ 157,883	\$ 3,740,425	\$ 3,582,542	4.2%	\$ 2,645,916	135.4%
12/31/11	\$ -	\$ 3,644,636	\$ 3,644,636	0.0%	\$ 2,613,217	139.5%
12/31/10	\$ -	\$ 3,056,979	\$ 3,056,979	0.0%	\$ 2,858,624	106.9%
12/31/09	\$ -	\$ 2,995,985	\$ 2,995,985	0.0%	\$ 2,855,036	104.9%

NOTE: Due to certain criteria of GASB 43 and GASB 45, the Town is not required to have an annual actuarial study performed. The date of the last actuarial study performed was December 31, 2014.

**Town of Williamston, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

<b><u>Year Ended June 30</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
2016	\$ 339,226	38.1%
2015	\$ 341,516	57.0%
2014	\$ 363,905	60.1%
2013	\$ 363,340	13.0%
2012	\$ 362,749	8.8%
2011	\$ 176,617	18.4%
2010	\$ 171,531	25.1%

**Town of Williamston, North Carolina**  
**Schedule of the Proportionate Share of the Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Three Fiscal Years\***

**Local Government Employees' Retirement System**

	2016	2015	2014
Town of Williamston's proportion of the net pension liability (asset) (%)	0.05246%	0.05400%	0.05310%
Town of Williamston's proportion of the net pension liability (asset) (\$)	\$ 235,438	\$ (318,463)	\$ 640,059
Town of Williamston's covered-employee payroll	\$ 3,058,933	\$ 2,869,087	\$ 2,775,413
Town of Williamston's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.70%	( 11.10%)	23.06%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

**Town of Williamston, North Carolina**  
**Schedule of Town Contributions**  
**Required Supplementary Information**  
**Last Three Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 216,799	\$ 218,990	\$ 204,434
Contributions in relation to the contractually required contribution	<u>216,799</u>	<u>218,990</u>	<u>204,434</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Williamston's covered-employee payroll	\$ 3,213,591	\$ 3,058,933	\$ 2,869,087
Contributions as a percentage of covered-employee payroll	6.75%	7.16%	7.13%

## Individual Fund Schedule

**Town of Williamston, North Carolina  
General Fund**

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

**For the Fiscal Year Ended June 30, 2016**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>REVENUES</b>				
<b>Ad valorem taxes</b>				
Current year	\$	\$ 2,650,834	\$	\$ 2,497,820
Prior years		197,891		121,883
Penalties and interest		42,949		27,090
Total		2,873,000	18,674	2,646,793
<b>Other taxes and licenses</b>				
Gross receipts tax on short-term rental property		10,329		9,580
Auto licenses		19,921		21,101
Total		15,060	15,190	30,681
<b>Unrestricted intergovernmental</b>				
Local option sales taxes		1,024,888		929,182
Payments in lieu of taxes		2,238		3,059
Telecommunications sales tax		77,013		92,194
Utility sales tax		330,951		292,504
Piped natural gas sales tax		(14,180)		6,287
Video franchise fee		41,315		42,109
ABC profit distributions		33,083		19,527
Beer and wine tax		24,480		25,507
Total		1,440,200	79,588	1,410,369
<b>Restricted intergovernmental</b>				
Powell Bill allocation		172,229		171,099
Controlled substance tax		9,525		4,128
Homeland Security Grant Program		63,478		23,866
N.C. Department of Public Safety - Regional Response Team Grant		57,000		57,000
Safe Kids Grant		918		-
Fire district - Martin County		233,906		286,576
Rescue squad - Martin County		134,215		325,373
Recreation - Martin County		9,677		9,677
On-behalf of payments - Fire and Rescue		1,214		5,884
Solid waste disposal tax		4,399		3,418
Total		1,433,459	(746,898)	887,021

(continued)



**Town of Williamston, North Carolina  
General Fund**

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

**For the Fiscal Year Ended June 30, 2016**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Permits and fees</b>				
Fire code permits & inspection application fees		1,783		2,180
Court fees		1,263		3,169
Business registration fees		470		67,255
Total	3,700	3,516	(184)	72,604
<b>Sales and services</b>				
EMS collections		428,558		413,263
EMS - Medicaid cost settlement		42,485		40,840
EMS - Medicaid cost settlement payback		(64,171)		-
Recreation fees and rents		20,401		22,105
Cemetery revenues		53,050		47,550
Rooks cemetery maintenance funds		3,201		4,432
Police department		6,370		2,995
Zoning		3,290		2,540
Street, driveways and lot cleaning		725		-
Street sweeper contract		-		5,344
Total	614,739	493,909	(120,830)	539,069
<b>Investment earnings</b>	1,300	6,587	5,287	1,407
<b>Miscellaneous</b>				
Trillium Health Resources Playground Grant		335,629		-
Donations - Martin Memorial Library		8,042		-
Miscellaneous		107		4,999
Total	194,833	343,778	148,945	4,999
Total revenues	6,576,291	5,976,063	(600,228)	5,592,943
<b>EXPENDITURES</b>	6,547,968	5,586,754	961,214	5,536,195
Revenues over expenditures	28,323	389,309	360,986	56,748

(continued)

**Town of Williamston, North Carolina  
General Fund**

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

**For the Fiscal Year Ended June 30, 2016**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016			2015
	Budget	Actual	Variance Positive (Negative)	Actual
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	11,000	37,339	26,339	53,188
Insurance claims	1,000	9,415	8,415	4,593
Installment purchase proceeds	82,291	-	(82,291)	-
Loan repayments to Water and Sewer Fund	(22,614)	(22,614)	-	(22,614)
Transfers to other funds:				
Capital Projects Fund from General Fund	(100,000)	(99,860)	140	(32,315)
Total other financing sources (uses)	<u>(28,323)</u>	<u>(75,720)</u>	<u>(47,397)</u>	<u>2,852</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>313,589</u>	<u>\$ 313,589</u>	<u>59,600</u>
<b>FUND BALANCE, BEGINNING</b>		3,101,900		3,046,345
Change in reserve for inventories		<u>(2,932)</u>		<u>(4,045)</u>
<b>FUND BALANCE, ENDING</b>		<u>\$ 3,412,557</u>		<u>\$ 3,101,900</u>

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
<b>GENERAL GOVERNMENT</b>				
<b>Governing body and administration:</b>				
Salaries - elected officials	\$	\$ 32,406	\$	\$ 28,686
Salaries - regular		343,440		338,288
FICA tax		27,482		26,308
Group insurance		101,643		85,051
Retirement		22,160		23,475
Professional services		91,611		76,781
Employee training		9,241		4,859
Elections		5,345		-
Telephone		5,408		6,668
Postage		5,172		4,461
Travel / meetings		3,932		2,030
Repairs - equipment		2,733		3,949
Equipment - rents, leases		6,929		4,744
Advertising		4,451		6,983
Automotive supplies		463		584
Office supplies		5,053		6,761
Department supplies		2,835		1,334
Bank charges		846		414
Garbage collection		625		556
Contracted services		205		-
Govdeals auction fees		1,945		3,944
Dues		2,123		1,829
Insurance		7,200		9,830
Miscellaneous		3,108		1,335
Tax collection fees		9,029		8,746
Small expendable equipment		3,905		5,887
Enterprise fund administration		(604,431)		(589,428)
<b>Total</b>	<b>110,286</b>	<b>94,859</b>	<b>15,427</b>	<b>64,075</b>
<b>Planning department:</b>				
Salaries - regular		124,378		110,317
Temporary salaries		-		107
FICA tax		9,366		8,259
Group insurance		11,928		9,653
Retirement		7,171		6,692
Professional services		1,027		336
Marketing Town of Williamston		4,305		5,127
Employee training		1,747		1,246
Telephone		888		648
Postage		489		256

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Planning department, continued</b>				
Travel / meetings		432		274
Repairs - equipment		2,196		2,588
Repairs - vehicles		108		107
Advertising		70		423
Automotive supplies		247		363
Office supplies		80		256
Department supplies		94		798
Contracted services		-		1,224
Code enforcement		11,135		7,945
Dues		943		629
Insurance		2,016		2,019
Capital outlay		-		55,612
Small expendable equipment		2,169		2,347
Total	592,271	180,789	411,482	217,226
<b>Public buildings:</b>				
Salaries - regular		4,670		10,939
FICA tax		351		809
Utilities		11,132		10,986
Repairs - buildings and grounds		25,464		10,320
Repairs - equipment		942		2,689
Department supplies		2,437		1,793
Bank charges		42		42
Contracted services		1,800		-
Insurance		7,571		6,788
Capital outlay - buildings		8,072		-
Total	63,009	62,481	528	44,366
<b>Town garage:</b>				
Salaries - regular		111,977		109,396
FICA tax		7,344		7,257
Group insurance		17,298		17,074
Retirement		7,326		7,617
Professional services		323		-
Employee training		-		70
Telephone		197		204
Utilities		1,180		2,953
Repairs - buildings and grounds		1,406		1,010
Repairs - equipment		1,774		944
Automotive supplies		921		1,204
Department supplies		2,460		2,950

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Town garage, continued</b>				
Bank charges		76		76
Uniforms		1,535		1,649
Garbage collection		1,214		1,141
Contracted services		574		1,225
Insurance		4,922		4,259
Miscellaneous		120		33
Small expendable equipment		5,648		2,989
Total	186,760	166,295	20,465	162,051
Total general government	952,326	504,424	447,902	487,718
<b>PUBLIC SAFETY</b>				
<b>Police department:</b>				
Salaries - regular		846,857		794,183
Salaries - temporary		39,077		43,225
Special separation allowance		-		3,201
FICA tax		66,552		62,822
Group insurance		112,979		109,949
Retirement		104,003		100,638
Professional services		18,730		14,336
Employee training		14,434		14,697
Telephone		12,071		11,445
Postage		226		281
Travel		196		-
Repairs - equipment		2,829		5,772
Repairs - vehicles		16,059		13,770
Advertising		223		262
Automotive supplies		35,414		45,880
Office supplies		1,955		2,372
Department supplies		6,883		6,085
Bank charges		586		586
Uniforms		13,752		15,413
Garbage collection		453		416
Dues		1,400		1,440
Insurance		60,498		62,794
Drug control		8,000		6,000
Miscellaneous		1,379		926
Community involvement		1,320		746
Capital outlay		72,867		108,187
Small expendable equipment		16,597		35,478
Total	1,570,924	1,455,340	115,584	1,460,904

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015
	Budget	Actual	Actual
		Variance Positive (Negative)	
<b>Fire department:</b>			
Salaries - regular		286,981	347,836
Salaries - temporary		10,036	23,057
Supplemental retirement and other benefits		9,992	9,992
FICA tax		21,886	26,618
Group insurance		50,748	58,510
Retirement		19,446	24,430
On-behalf of payments - Fire		472	3,115
Professional services		4,333	5,091
Employee training		4,223	3,073
Telephone		3,735	5,269
Postage		212	161
Utilities		953	1,151
Travel		123	139
Repairs - buildings and grounds		754	2,710
Repairs - equipment		24,980	20,554
Automotive supplies		19,222	22,151
Office supplies		765	787
Department supplies		3,934	2,942
Bank charges		298	298
Uniforms		4,689	4,683
Garbage collection		525	342
Dues		634	1,089
Insurance		42,446	34,720
Miscellaneous		640	642
Capital outlay		-	32,011
Small expendable equipment		23,179	32,780
Safe Kids Grant		918	-
2014 DHS Equipment Grant		3,534	23,866
2015 DHS Equipment Grant:			
Cylinder recovery system		5,446	-
DPR 1 Prime Mover		56,257	-
Total	635,819	601,361	688,017
<b>Regional response team:</b>			
Salaries - regular		1,037	50
Salaries - training		5,151	6,036
Professional services		14,995	14,985
Employee training		12,115	12,539
Telephone		456	469
Postage		7	110
Travel		400	454

(continued)

**Town of Williamston, North Carolina**

**General Fund**

**Schedule of Expenditures - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	Budget	Actual	Variance Positive (Negative)	Actual
<b>Regional response team, continued</b>				
Department supplies		188		240
Uniforms		2,360		2,097
Insurance		5,000		5,000
Capital outlay		32,612		2,324
Small expendable equipment		7,685		7,508
Total	97,236	82,006	15,230	51,812
<b>Rescue squad:</b>				
Salaries - regular		347,058		259,070
Salaries - temporary		31,233		16,279
Supplemental retirement		720		720
FICA tax		27,546		20,795
Group insurance		54,523		45,793
Retirement		24,061		19,585
On-behalf of payments - Rescue		742		2,769
Professional services		39,372		39,815
EMS / MC partnership		-		176,800
Employee training		2,705		2,219
Telephone		3,262		2,129
Postage		12		4
Utilities		10,569		13,532
Travel		89		60
Repairs - buildings and grounds		4,969		5,573
Repairs - equipment		6,400		9,936
Equipment - rents, leases		1,809		2,031
Automotive supplies		6,967		12,495
Office supplies		1,955		2,123
Department supplies		19,007		10,028
Bank charges		248		248
Uniforms		2,203		2,595
Garbage collection		1,563		1,693
Dues		908		696
Insurance		22,186		20,699
Miscellaneous		116		193
Small expendable equipment		6,998		4,067
Total	632,345	617,221	15,124	671,947
Total public safety	2,936,324	2,755,928	180,396	2,872,680
<b>TRANSPORTATION</b>				
<b>Street repair and construction:</b>				
Salaries - regular		167,530		156,572
Salaries - temporary		1,182		2,007
FICA tax		12,641		11,645

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015
	Budget	Actual	Actual
<b>Street repair and construction, continued</b>			
Group insurance		34,176	33,590
Retirement		11,049	11,200
Professional services		183	1,120
Employee training		-	170
Telephone		629	525
Travel		25	25
Utilities		134,111	132,357
Repairs - buildings and grounds		488	3,038
Repairs - equipment		4,286	3,190
Advertising		35	51
Automotive supplies		7,100	11,196
Department supplies		3,442	4,370
Bank charges		232	232
Uniforms		3,640	3,231
Powell Bill - services		43,136	68,046
Powell Bill - equipment operations		34,614	66,649
Powell Bill - capital outlay		-	77,913
Contracted services		84	1,694
Insurance		17,530	13,380
Miscellaneous		276	235
Small expendable equipment		1,294	1,481
Total transportation	587,471	477,683	603,917
<b>ECONOMIC AND PHYSICAL DEVELOPMENT</b>			
Martin County Arts Council		6,000	6,000
Williamston Downtown		5,609	3,757
Williamston Downtown, Inc. Facade		6,000	3,000
Williamston Beautification		222	4,743
Audubon Society / NC State		-	500
Hwy 17 Association		3,000	3,000
Mid-East Commission		1,584	1,584
Institute of Government		628	619
Martin County Chamber		1,465	715
Committee of 100		500	500
NCLM		6,109	5,985
Roanoke River Partners		1,500	1,500
Roanoke River Basin		-	500
Committee of 1000		-	1,000
Employer contributions to OPEB Trust Fund		103,857	146,620
Total economic & physical development	147,132	136,474	180,023

(continued)



Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015
	Budget	Actual	Actual
<b>ENVIRONMENTAL PROTECTION</b>			
<b>Sanitation:</b>			
Salaries - regular		237,873	214,636
Salaries - temporary		2,266	3,054
FICA tax		17,972	16,281
Group insurance		55,406	45,635
Retirement		15,798	15,160
Professional services		208	175
Employee training		-	24
Telephone		550	535
Repairs - equipment		12,283	6,164
Advertising		33	65
Automotive supplies		24,157	26,477
Department supplies		2,103	1,815
Mosquito control		-	1,858
Martin County Landfill		11,508	14,442
Bank charges		153	153
Garbage collection		-	742
Uniforms		6,365	5,187
Contracted services		84	2,892
Insurance		15,706	19,473
Miscellaneous		273	135
Capital outlay		26,417	82,500
<b>Total</b>	<b>459,050</b>	<b>429,155</b>	<b>457,403</b>
		<b>29,895</b>	
<b>Cemetery:</b>			
Salaries - regular		55,898	52,911
Salaries - temporary		2,057	4,168
FICA tax		4,390	4,353
Group insurance		11,263	10,175
Retirement		3,802	3,999
Telephone		455	753
Utilities		703	708
Repairs - buildings and grounds		163	2,709
Repairs - equipment		2,163	2,080
Automotive supplies		1,250	1,715
Department supplies		1,524	2,261
Bank charges		39	39
Rooks fund expense		480	480
Uniforms		1,133	1,390
Insurance		3,613	2,863

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Cemetery, continued</b>				
Miscellaneous		118		11
Purchase back cemetery lots		-		300
Capital outlay		5,988		-
Small expendable equipment		663		709
Total	110,146	95,702	14,444	91,624
Total environmental protection	569,196	524,857	44,339	549,027
<b>CULTURAL AND RECREATIONAL</b>				
<b>Recreation:</b>				
Salaries - regular		203,236		187,092
Salaries - temporary		73,609		74,010
FICA tax		19,864		18,728
Group insurance		28,696		25,304
Retirement		14,235		13,867
Professional services		133		45
Employee training		1,763		1,345
Telephone		5,364		5,131
Postage		342		264
Utilities		22,168		28,072
Travel		25		51
Repairs - buildings and grounds		27,963		58,862
Repairs - equipment		9,985		5,292
Automotive supplies		10,622		12,690
Department supplies		30,401		18,168
Bank charges		225		225
Supplies - turf grass management		15,552		14,522
Uniforms		2,285		2,366
Garbage collection		4,332		4,083
Contracted services		3,129		6,967
Dues		323		90
Insurance		16,818		16,807
Miscellaneous		4,296		5,240
Capital outlay		358,590		-
Small expendable equipment		1,828		5,381
Contingency		-		25
Total	915,186	855,784	59,402	504,627

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016			2015
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Cultural:</b>				
Martin Memorial Library		96,100		96,051
Stampede Festival		8,413		7,779
Sustainable Communities Program		500		-
Christmas decorations		292		537
Christmas parade		3,322		3,690
Total	114,231	108,627	5,604	108,057
Total cultural and recreational	1,029,417	964,411	65,006	612,684
<b>Debt service:</b>				
Principal retirement	308,406	212,000	96,406	212,000
Interest	17,696	10,977	6,719	18,146
Total debt service	326,102	222,977	103,125	230,146
Total expenditures	\$ 6,547,968	\$ 5,586,754	\$ 961,214	\$ 5,536,195

**Town of Williamston, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	<b>Total Non-Major Special Revenue Funds</b>	<b>Total Non-Major Capital Projects Funds</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,671	\$ 118,159	\$ 145,830
Due from other governments	9,534	-	9,534
<b>TOTAL ASSETS</b>	<b>\$ 37,205</b>	<b>\$ 118,159</b>	<b>\$ 155,364</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,534	\$ 119	\$ 9,653
<b>FUND BALANCES</b>			
<b>Assigned:</b>			
Transportation	-	118,040	118,040
Economic and physical development	27,671	-	27,671
<b>Total fund balances</b>	<b>27,671</b>	<b>118,040</b>	<b>145,711</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 37,205</b>	<b>\$ 118,159</b>	<b>\$ 155,364</b>

**Town of Williamston, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Total Non-Major Special Revenue Funds</b>	<b>Total Non-Major Capital Projects Funds</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Restricted intergovernmental	\$ 158,226	\$ -	\$ 158,226
Investment earnings	-	292	292
Total revenues	<u>158,226</u>	<u>292</u>	<u>158,518</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Economic and physical development	75,000	-	75,000
Environmental protection	58,226	-	58,226
<b>Capital outlay</b>	-	64,908	64,908
Total expenditures	<u>133,226</u>	<u>64,908</u>	<u>198,134</u>
Revenues over (under) expenditures	25,000	(64,616)	(39,616)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds:			
General Fund	-	34,860	34,860
Revenues and other financing sources over (under) expenditures and other uses	25,000	(29,756)	(4,756)
<b>FUND BALANCE, BEGINNING</b>	<u>2,671</u>	<u>147,796</u>	<u>150,467</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 27,671</u>	<u>\$ 118,040</u>	<u>\$ 145,711</u>

**Town of Williamston, North Carolina**  
**Non-Major Governmental Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Strategic Economic Development - Golden Leaf	Brownfields Assessment Grants	Total Non-Major Special Revenue Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,671	\$ -	\$ 27,671
Due from other governments	-	9,534	9,534
<b>TOTAL ASSETS</b>	<b>\$ 27,671</b>	<b>\$ 9,534</b>	<b>\$ 37,205</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 9,534	\$ 9,534
<b>FUND BALANCES</b>			
<b>Assigned:</b>			
Economic and physical development	27,671	-	27,671
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,671</b>	<b>\$ 9,534</b>	<b>\$ 37,205</b>

**Town of Williamston, North Carolina**  
**Non-Major Governmental Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Strategic Economic Development - Golden Leaf</b>	<b>Brownfields Assessment Grants</b>	<b>Total Non-Major Special Revenue Funds</b>
<b>REVENUES</b>			
Restricted intergovernmental	\$ 100,000	\$ 58,226	\$ 158,226
Miscellaneous and project income	-	-	-
Total revenues	<u>100,000</u>	<u>58,226</u>	<u>158,226</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety	-	-	-
Economic and physical development	75,000	-	75,000
Environmental protection	-	58,226	58,226
Total expenditures	<u>75,000</u>	<u>58,226</u>	<u>133,226</u>
Revenues over expenditures	25,000	-	25,000
<b>FUND BALANCE, BEGINNING</b>	<u>2,671</u>	-	<u>2,671</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 27,671</u>	<u>\$ -</u>	<u>\$ 27,671</u>

Town of Williamston, North Carolina

Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual  
From Inception and for the Fiscal Year Ended June 30, 2016**

**STRATEGIC ECONOMIC DEVELOPMENT - GOLDEN LEAF**

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
<b>Restricted intergovernmental revenues:</b>					
Martin County	\$ 3,625	\$ 3,625	\$ -	\$ 3,625	\$ -
Martin County Tourism Development	1,950	1,950	-	1,950	-
Martin County Water Authority	500	500	-	500	-
NC Department of Commerce:					
Main Street Solutions Fund Grant	100,000	-	100,000	100,000	-
<b>Investment earnings</b>	10	1	-	1	(9)
<b>Miscellaneous and project income:</b>					
Golden Leaf Foundation	20,000	20,000	-	20,000	-
Local Funds	5,000	5,000	-	5,000	-
Committee of 100	8,000	8,000	-	8,000	-
Total revenues	139,085	39,076	100,000	139,076	(9)
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Economic and physical development:</b>					
Strategic Economic Plan	47,710	45,030	-	45,030	2,680
Main Street Solutions Fund Grant:					
Accessmedicine, PA	100,000	-	75,000	75,000	25,000
Total expenditures	147,710	45,030	75,000	120,030	27,680
Revenues over (under) expenditures	(8,625)	(5,954)	25,000	19,046	27,671
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds:					
General Fund	8,625	8,625	-	8,625	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,671</u>	25,000	<u>\$ 27,671</u>	<u>\$ 27,671</u>
<b>FUND BALANCE, BEGINNING</b>			<u>2,671</u>		
<b>FUND BALANCE, ENDING</b>			<u>\$ 27,671</u>		



**Town of Williamston, North Carolina**  
**Special Revenue Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

**BROWNFIELDS ASSESSMENT GRANTS**

Project Author - ization	Actual			Variance Positive (Negative)
	Prior Years	Current Year	Total to Date	

**REVENUES**

**Restricted intergovernmental revenues:**

EPA - Brownfields Assessment Grant - Royster Clark	\$ 168,000	\$ -	\$ 28,490	\$ 28,490	\$ (139,510)
EPA - Brownfields Assessment Grant - Windsor Oil	166,800	-	29,736	29,736	(137,064)
Total revenues	<u>334,800</u>	<u>-</u>	<u>58,226</u>	<u>58,226</u>	<u>(276,574)</u>

**EXPENDITURES**

**Current:**

**Environmental protection:**

**Royster Clark:**

Supplies	-	348	348		
Contract Services	-	28,142	28,142		
Total hazardous	<u>168,000</u>	<u>-</u>	<u>28,490</u>	<u>28,490</u>	<u>139,510</u>

**Windsor Oil:**

Supplies	-	348	348		
Contract Services	-	29,388	29,388		
Total petroleum	<u>166,800</u>	<u>-</u>	<u>29,736</u>	<u>29,736</u>	<u>137,064</u>
Total expenditures	<u>334,800</u>	<u>-</u>	<u>58,226</u>	<u>58,226</u>	<u>276,574</u>

Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
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**FUND BALANCE, BEGINNING**

-

**FUND BALANCE, ENDING**

\$ -

**Town of Williamston, North Carolina**  
**Non-Major Governmental Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Skewarkee Canal Phase IV	Annexation Area E	Total Non-Major Capital Projects Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 118,159	\$ -	\$ 118,159
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 119	\$ -	\$ 119
<b>Fund balances:</b>			
<b>Assigned:</b>			
Transportation	118,040	-	118,040
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 118,159</u>	<u>\$ -</u>	<u>\$ 118,159</u>

**Town of Williamston, North Carolina**  
**Non-Major Governmental Capital Projects Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Skewarkee Canal Phase IV</b>	<b>Annexation Area E</b>	<b>Total Non-Major Capital Projects Funds</b>
<b>REVENUES</b>			
Investment earnings	\$ 292	\$ -	\$ 292
<b>EXPENDITURES</b>			
<b>Capital outlay:</b>			
Transportation	63,408	1,500	64,908
Revenues over (under) expenditures	(63,116)	(1,500)	(64,616)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds:			
General Fund	-	34,860	34,860
Revenues and other financing sources over (under) expenditures and other uses	(63,116)	33,360	(29,756)
<b>FUND BALANCE (DEFICIT), BEGINNING</b>	181,156	(33,360)	147,796
<b>FUND BALANCE, ENDING</b>	<u>\$ 118,040</u>	<u>\$ -</u>	<u>\$ 118,040</u>

**Town of Williamston, North Carolina  
Governmental Capital Projects Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual  
From Inception and for the Fiscal Year Ended June 30, 2016**

**SKEWARKEE CANAL PHASE IV**

Project Author - ization	Actual			Variance Positive (Negative)
	Prior Years	Current Year	Total to Date	

**REVENUES**

**Restricted intergovernmental revenues:**

NC Division of Water Resources Dev Grant	\$ 554,823	\$ 295,569	\$ -	\$ 295,569	\$ (259,254)
NCDOT Grant	65,000	65,000	-	65,000	-
Sales tax refund	-	6,265	-	6,265	6,265

**Miscellaneous and Project Income:**

Contractor settlement - non-performance	125,000	125,000	-	125,000	-
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**Investment earnings**

	-	1,577	292	1,869	1,869
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Total revenues	<u>744,823</u>	<u>493,411</u>	<u>292</u>	<u>493,703</u>	<u>(251,120)</u>
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**EXPENDITURES**

**Capital outlay:**

**Transportation:**

Engineering and inspections		208,363	59,673	268,036	
Legal and administration		29,141	3,735	32,876	
Construction		418,829	-	418,829	

Total expenditures	<u>969,000</u>	<u>656,333</u>	<u>63,408</u>	<u>719,741</u>	<u>249,259</u>
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Revenues over (under) expenditures	<u>(224,177)</u>	<u>(162,922)</u>	<u>(63,116)</u>	<u>(226,038)</u>	<u>(1,861)</u>
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**OTHER FINANCING SOURCES (USES)**

Transfers from other funds:

Powell Bill Fund	168,000	168,000	-	168,000	-
Water and Sewer Fund	136,000	136,000	-	136,000	-
CDBG Rehab Loans Project	45,177	40,078	-	40,078	(5,099)

Transfers to other funds	(125,000)	-	-	-	125,000
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Total other financing sources	<u>224,177</u>	<u>344,078</u>	<u>-</u>	<u>344,078</u>	<u>119,901</u>
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Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 181,156</u>	<u>(63,116)</u>	<u>\$ 118,040</u>	<u>\$ 118,040</u>
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**FUND BALANCE, BEGINNING**

181,156

**FUND BALANCE, ENDING**

\$ 118,040

**Town of Williamston, North Carolina  
Governmental Capital Projects Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual  
From Inception and for the Fiscal Year Ended June 30, 2016**

**ANNEXATION AREA E**

Project Author - ization	Actual			Variance Positive (Negative)	
	Prior Years	Current Year	Total to Date		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	
<b>EXPENDITURES</b>					
<b>Capital outlay:</b>					
<b>Transportation:</b>					
Engineering and surveying	47,680	-	47,680		
Easement acquisition and miscellaneous	2,070	1,500	3,570		
Construction	-	-	-		
Total expenditures	89,600	49,750	1,500	51,250	38,350
Revenues over (under) expenditures	(89,600)	(49,750)	(1,500)	(51,250)	38,350
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds:					
General Fund	16,400	16,390	34,860	51,250	34,850
Powell Bill Fund	73,200	-	-	-	(73,200)
Total other financing sources	89,600	16,390	34,860	51,250	(38,350)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (33,360)	33,360	\$ -	\$ -
<b>FUND BALANCE (DEFICIT), BEGINNING</b>			(33,360)		
<b>FUND BALANCE, ENDING</b>			\$ -		

Town of Williamston, North Carolina

Water and Sewer Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
<b>Charges for services:</b>				
Water sales	\$	\$ 2,345,212	\$	\$ 1,398,536
Water District 1 sales		188,574		138,870
Water District 2 sales		381,927		300,154
Sewer sales		1,749,775		1,720,384
Water and sewer taps		5,800		6,725
Total charges for services	4,531,713	4,671,288	139,575	3,564,669
<b>Other operating revenues:</b>				
Late penalties	22,000	42,740	20,740	34,100
Total operating revenues	4,553,713	4,714,028	160,315	3,598,769
<b>Non-operating revenues:</b>				
Investment earnings	4,000	20,110	16,110	10,202
NC Department of Environmental Quality - Wastewater TAG Grant	-	36,693	36,693	-
Miscellaneous	1,500	1,377	(123)	2,445
Total non-operating revenues	5,500	58,180	52,680	12,647
Total revenues	4,559,213	4,772,208	212,995	3,611,416
<b>EXPENDITURES</b>				
Water treatment and distribution	2,370,193	2,138,419	231,774	1,097,682
Water District 1	48,010	42,742	5,268	46,036
Water District 2	160,297	144,180	16,117	156,724
Waste collection and treatment	1,149,963	1,123,480	26,483	1,083,979
Debt service	628,597	626,383	2,214	642,298
Capital outlay	218,095	74,013	144,082	64,984
Total expenditures	4,575,155	4,149,217	425,938	3,091,703
Revenues over (under) expenditures	(15,942)	622,991	638,933	519,713
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated net position	294,942	-	(294,942)	-
Sale of capital assets	1,000	-	(1,000)	-
Loan repayments from General Fund	-	22,614	22,614	22,614
Transfers to other funds:				
Water & Sewer Capital Projects Fund	(280,000)	(278,640)	1,360	-
Total other financing sources (uses)	15,942	(256,026)	(271,968)	22,614
Revenues and other financing sources over expenditures and other uses	\$ -	\$ 366,965	\$ 366,965	\$ 542,327

Town of Williamston, North Carolina

Water and Sewer Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

2016			2015
Budget	Actual	Variance Positive (Negative)	Actual

**RECONCILIATION FROM BUDGETARY BASIS  
(MODIFIED ACCRUAL) TO FULL ACCRUAL BASIS:**

Revenues and other financing sources over  
expenditures and other uses

\$ 366,965

**Reconciling items:**

Principal retirement	570,444
Capital outlay	74,013
Decrease in net pension asset	(44,586)
Decrease in deferred outflows of resources - pensions	(1,676)
Increase in net pension liability	(31,549)
Decrease in deferred inflows of resources - pensions	91,297
Increase in accrued vacation pay	(3,192)
Increase in accrued OPEB liability	(16,812)
Depreciation	(622,585)
Capital contributions	-
Loan repayments from General Fund	(22,614)
Transfer from other funds:	
General Fund	65,000
Transfers to other funds:	
Water and Sewer Capital Projects Fund	278,640
Total reconciling items	<u>336,380</u>

**Change in net position**

\$ 703,345

**Town of Williamston, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016			2015
	Budget	Actual	Variance Positive (Negative)	Actual
<b>WATER TREATMENT AND DISTRIBUTION</b>				
Administration expense	\$	\$ 245,650	\$	\$ 202,209
Salaries - regular		189,492		191,592
Salaries - temporary		10,635		15,176
FICA tax		14,741		15,351
Group insurance		27,004		28,566
Employer contributions to OPEB Trust Fund		15,377		28,182
Retirement		13,203		14,424
Professional services		6,448		7,009
Employee training		2,518		4,402
Telephone		3,564		4,046
Postage		4,064		4,130
Utilities		48,530		65,359
Travel		95		106
Repairs - buildings and grounds		28		620
Repairs - equipment		14,941		14,086
Advertising		160		128
Automotive supplies		14,997		20,831
Office supplies		-		-
Department supplies		33,795		34,485
Bank charges		450		450
Uniforms		2,858		3,608
Contracted services		54,754		78,716
Dues		3,313		3,013
Insurance		16,599		16,150
Miscellaneous		-		22
Small expendable equipment		49,973		49,579
Repair / replace fire hydrants		11,719		-
Repair lines		11,400		12,209
Water purchases		1,312,408		63,135
Martin County Regional Water Authority membership fees		17,586		212,463
Bad debts		12,117		7,635
Total water treatment and distribution	<u>2,370,193</u>	<u>2,138,419</u>	<u>231,774</u>	<u>1,097,682</u>
<b>WATER DISTRICT 1</b>				
Monthly overhead costs		42,742		46,036
Total Water District 1	<u>48,010</u>	<u>42,742</u>	<u>5,268</u>	<u>46,036</u>

(continued)



**Town of Williamston, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>WATER DISTRICT 2</b>				
Water service fees		19,648		29,472
Monthly overhead costs		124,532		127,252
Total Water District 2	160,297	144,180	16,117	156,724
<b>WASTE COLLECTION AND TREATMENT</b>				
Administration expense		358,781		387,564
Salaries - regular		238,644		225,655
Salaries - temporary		4,175		6,421
FICA tax		18,182		17,567
Group insurance		40,982		38,854
Employer contributions to OPEB Trust Fund		10,000		20,000
Retirement		15,952		16,228
Professional services		3,230		3,513
Employee training		2,578		782
Telephone		3,889		3,377
Postage		9,521		9,241
Utilities		100,493		95,960
Travel		70		74
Repairs - buildings and grounds		519		805
Repairs - equipment		102,874		72,001
Equipment rent, leases		-		1,734
Advertising		154		243
Automotive supplies		7,128		9,863
Office supplies		391		145
Department supplies		26,893		25,393
Lab supplies		8,275		7,896
Bank charges		801		801
Uniforms		4,803		4,789
Garbage collection		1,263		1,228
Contracted services		72,436		68,666
Dues		8,555		8,183
Insurance		49,049		35,796
Miscellaneous		77		1,046
Small expendable equipment		2,282		1,408
Line repairs		3,210		926
Bad debts		28,273		17,820
Total waste collection and treatment	1,149,963	1,123,480	26,483	1,083,979

(continued)

**Town of Williamston, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)**

	2016			2015
	Budget	Actual	Variance Positive (Negative)	Actual
<b>DEBT SERVICE</b>				
Principal retirement	572,555	570,444	2,111	572,543
Interest and other charges	56,042	55,939	103	69,755
Total debt service	628,597	626,383	2,214	642,298
<b>CAPITAL OUTLAY</b>				
Water capital outlay		46,928		34,951
Sewer capital outlay		27,085		30,033
Total capital outlay	218,095	74,013	144,082	64,984
Total expenditures	\$ 4,575,155	\$ 4,149,217	\$ 425,938	\$ 3,091,703

**Town of Williamston, North Carolina**  
**Water and Sewer Fund Capital Projects Fund**  
**Schedule of Revenue and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2016**

**ANNEXATION AREA A**

	Project Author - ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year	Total to Date		
<b>REVENUES</b>	\$	-	\$	-	\$	-
<b>EXPENDITURES</b>						
Professional services		17,703	1,623	19,326		
Project administration and permitting		-	106,042	106,042		
Technical services		197,738	224,144	421,882		
Easement acquisition and miscellaneous		2,090	95,810	97,900		
Construction		-	772,611	772,611		
Total expenditures		5,233,400	217,531	1,200,230	1,417,761	3,815,639
Revenues over (under) expenditures		(5,233,400)	(217,531)	(1,200,230)	(1,417,761)	3,815,639
<b>OTHER FINANCING SOURCES</b>						
Transfers from other funds:						
Water and Sewer Fund		465,600	23,832	278,640	302,472	(163,128)
General Fund		163,000	24,935	65,000	89,935	(73,065)
Powell Bill Fund		374,500	-	-	-	(374,500)
NC Clean Water Revolving Loan		4,230,300	-	940,900	940,900	(3,289,400)
Total other financing sources		5,233,400	48,767	1,284,540	1,333,307	(3,900,093)
Revenues and other financing sources over (under) expenditures	\$	-	\$ (168,764)	\$ 84,310	\$ (84,454)	\$ (84,454)

### **Other Schedules**

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This Section Contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Williamston, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2016**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 2,804,829 (a)	\$ 2,650,834 (b)	\$ 1,093 (a)	\$ 152,902 (c)
2014-2015	253,525	-	122,667	75	130,783
2013-2014	106,753	-	26,746	17	79,990
2012-2013	84,563	-	15,775	15	68,773
2011-2012	56,320	-	13,032	-	43,288
2010-2011	38,389	-	8,659	-	29,730
2009-2010	30,460	-	5,506	1	24,953
2008-2009	16,432	-	2,859	-	13,573
2007-2008	13,112	-	1,762	-	11,350
2006-2007	7,235	-	771	-	6,464
2005-2006	6,374	-	114	6,260	-
	<u>\$ 613,163</u>	<u>\$ 2,804,829</u>	<u>\$ 2,848,725 (d)</u>	<u>\$ 7,461</u>	<u>561,806</u>

Less: allowance for uncollectible ad valorem taxes receivable (36,796)

Ad valorem taxes receivable - net \$ 525,010

**Reconciliation to Revenues:**

Ad valorem taxes - General Fund \$ 2,891,674

**Reconciling items:**

Penalties and interest collected (42,949)

Total collections and credits \$ 2,848,725 (d)

**Town of Williamston, North Carolina**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**For the Fiscal Year Ended June 30, 2016**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>ORIGINAL LEVY:</b>					
Property taxed at current year's rate	\$ 377,982,432	\$ 0.74	\$ 2,797,070	\$ 2,551,941	\$ 245,129
<b>DISCOVERIES:</b>					
Current year taxes	1,048,514		7,759	7,759	-
<b>ABATEMENTS</b>	(147,703)		(1,093)	(1,093)	-
Total property valuation	<u>\$ 378,883,243</u>				
Net levy			2,803,736 (a)	2,558,607	245,129
Uncollected taxes at June 30, 2016			<u>(152,902) (c)</u>	<u>(152,902)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,650,834 (b)</u>	<u>\$ 2,405,705</u>	<u>\$ 245,129</u>
Current levy collection percentage			<u>94.55%</u>	<u>94.02%</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 Town Council  
Town of Williamston, 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 Williamston, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Williamston's basic financial statements and have issued our report thereon dated December 21, 2016.

**Internal Control over Financial Reporting**

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Carly Riggs & Ingram, L.L.C.*

Wilson, North Carolina  
December 21, 2016



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and Members of the Town Council  
Town of Williamston, North Carolina

### Report on Compliance for Each Major Federal Program

We have audited the Town of Williamston, North Carolina's 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 Williamston's major federal programs for the year ended June 30, 2016. The Town of Williamston's major federal programs are identified in the summary of auditors' 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Williamston'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 Williamston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Town of Williamston 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, 2016.

### **Report on Internal Control over Compliance**

Management of the Town of Williamston 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 Williamston's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Town of Williamston'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 a 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.

*Cary, Riggs & Ingram, L.L.C.*

Wilson, North Carolina  
December 21, 2016

**Town of Williamston, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_ yes                     X  no
- Significant Deficiency(s) identified                    \_\_\_ yes                     X  none reported
- Noncompliance material to financial statements noted                    \_\_\_ yes                     X  no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?                    \_\_\_ yes                     X  no
- Significant Deficiency(s) identified                    \_\_\_ yes                     X  none reported

Type of auditors' report issued on compliance for major federal programs:  
Unmodified, for all federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                    \_\_\_ yes                     X  no

Identification of major federal programs:

**CFDA Numbers**

**Names of Federal Program or Cluster**

66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs                    \$ 750,000

Auditee qualified as low-risk auditee?                     X  yes                    \_\_\_ no




**Town of Williamston, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.



**Town of Williamston, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No corrective action required.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No corrective action required.



**Town of Williamston, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2016**

As of June 30, 2016, the Town of Williamston had no unresolved findings from prior years.

**Town of Williamston, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2016**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal - (Direct and Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>To Subrecipients</b>
<b>FEDERAL GRANTS:</b>					
<b>CASH ASSISTANCE:</b>					
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
<b>Direct Program:</b>					
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	EPA-OSWER- OBLR-10-09	58,226	-	-
<b>Passed-through N.C. Department of Environment and Natural Resources</b>					
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370435-06	940,900	-	-
Total U.S. Environmental Protection Agency			999,126	-	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
<b>Passed-through N.C. Department of Public Safety</b>					
Homeland Security Grant Program	97.067	EMW-2014-SS- 00069-S01	3,534	-	-
Homeland Security Grant Program	97.067	EMW-2015-SS- 00062-S01	5,446	-	-
Homeland Security Grant Program	97.067	EMW-2015-SS- 00062-S01	54,498	-	-
Total U.S. Department of Homeland Security			63,478	-	-
<b>TOTAL FEDERAL AWARDS</b>			<b>1,062,604</b>	-	-

(continued)



**Town of Williamston, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal - (Direct and Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>To Subrecipients</b>
<b>STATE GRANTS:</b>					
<b>CASH ASSISTANCE:</b>					
<b>N.C. DEPARTMENT OF TRANSPORTATION</b>					
Non-State System Street-Aid Allocation (Powell Bill)		WBS 32570	-	77,750	-
<b>N.C. DEPARTMENT OF COMMERCE</b>					
Main Street Solutions Fund Grant			-	-	75,000
<b>N.C. DEPARTMENT OF INSURANCE</b>					
Safe Kids Grant		PCS Grant/8-15	-	918	-
<b>N.C. DEPARTMENT OF ENVIRONMENTAL QUALITY</b>					
Wastewater TAG Grant		E-TAG-W-14-0001	-	36,693	-
<b>N.C. DEPARTMENT OF PUBLIC SAFETY</b>					
Regional Response Team Grant		072916-0408	-	82,006	-
TOTAL STATE AWARDS			-	197,367	75,000
TOTAL FEDERAL AND STATE AWARDS			\$ 1,062,604	\$ 197,367	\$ 75,000

(continued)

**Town of Williamston, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2016**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS:**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Williamston under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US 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. Because the Schedule presents only a selected portion of the operations of the Town of Williamston, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Williamston.

**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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Williamston has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. Loans Outstanding**

The Town of Williamston had the following loan balances outstanding at June 30, 2016. These loan balances are also included in the federal and State expenditures presented in the schedule.

<u>Program Title</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	\$ 940,900
66.458 CS370435-06	