

TOWN OF BUTNER, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2014

Town Council Members

Thomas W. Lane, Mayor

Vickie Hicks Cates

Christene Emory

Linda Russell Jordon

Terry Turner

Bill McKellar

Michel Branch

Administrative and Financial Staff

Tommy Marrow, Town Manager

Susan Hiscocks, Finance Director

Gloria Bauer, Accounting Technician

Dianne White, Town Clerk

TOWN OF BUTNER, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2014

EXHIBIT	Page Number
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
1 Statement of Net Position	13
2 Statement of Activities	14
FUND FINANCIAL STATEMENTS:	
3 Balance Sheet—Governmental Funds	16
3 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
4 Statement of Revenues, Expenditures, and Changes in Fund Balance— Governmental Funds	18
4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
5 General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	20
6 Proprietary Fund - Statement of Fund Net Position	21
7 Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position	22
8 Proprietary Fund - Statement of Cash Flows	23
NOTES TO THE FINANCIAL STATEMENTS	25-42
REQUIRED SUPPLEMENTARY INFORMATION	
A-1 Other Postemployment Benefits – Schedule of Funding Progress	44
A-2 Other Postemployment Benefits – Schedule of Employer Contributions	45
A-2 Notes to the Required Supplementary Information	45
COMBINING AND INDIVIDUAL FUND STATEMENTS	
B-1 General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	47-51
B-2 Combining Balance Sheet—Nonmajor Governmental Funds	52

TOWN OF BUTNER, NORTH CAROLINA
TABLE OF CONTENTS
 June 30, 2014

EXHIBIT	Page Number
B-3 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance—Nonmajor Governmental Funds	53
B-4 Special Revenue Fund – Grant Project – Greenway Construction Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	54
B-5 Special Revenue Fund – Grant Project – Safe Routes to School Sidewalk Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	55
B-6 Special Revenue Fund – Grant Project – Lake Holt Tourism Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	56
B-7 Capital Projects Fund – Central Sidewalk Project Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	57
B-8 Capital Projects Fund – B Street Ballfield Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	58
B-9 Capital Projects Fund – Central Sidewalk Project Phase II Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	59
B-10 Capital Projects Fund – Lake Holt Boat Dock Schedule of Revenue, Expenditures, and Changes in Fund Balance—Budget and Actual	60
B-11 Proprietary Fund-Stormwater Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP)	61
OTHER SCHEDULES	
C-1 Schedule of Ad Valorem Taxes Receivable	63
C-2 Analysis of Current Tax Levy	64
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Accounting Standards	66-69

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Susan R. Waters, CPA
Michael H. Brafford, CPA
Franklin L. Irvin, Jr., CPA
Janet N. Green, CPA
Cecilia E. Leahy, CPA
Ronald S. Dorsey, CPA (Retired)

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Butner's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina as of June 30, 2014, 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 Management's Discussion and Analysis and the Other Post Employment Schedules of Funding Progress and Employer Contributions on pages 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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 Butner's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and the procedures performed as described above the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Town of Butner'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 Butner's internal control over financial reporting and compliance.

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Butner, we offer readers of the Town of Butner's financial statements this narrative overview and analysis of the financial activities of the Town of Butner for the fiscal year ended June 30, 2014. 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

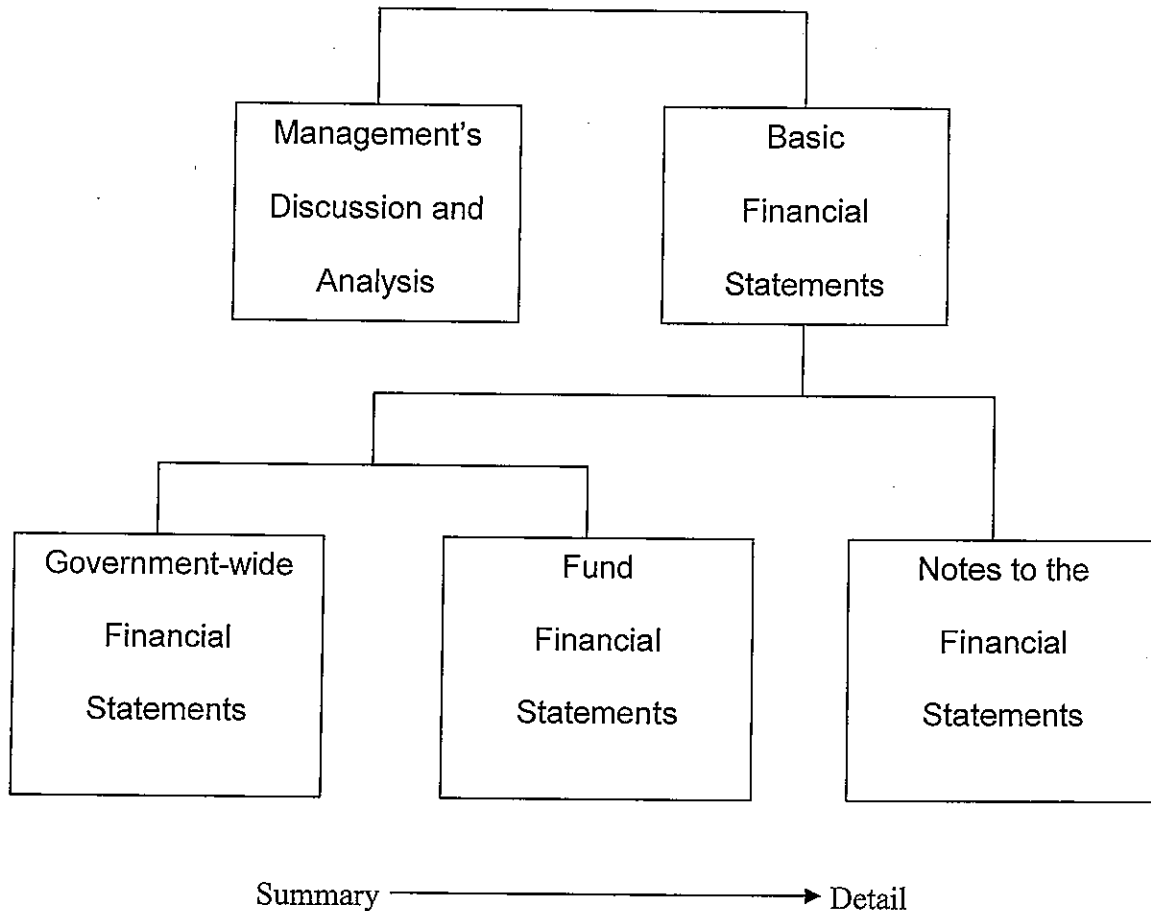
- The assets and deferred outflows of resources of the Town of Butner exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,986,544 (*net position*).
- The government's total net position increased by \$4,046,855, primarily due to the increase in the governmental-type activities net position (\$934,066) and the acquisition of Butner Public Safety Authority at July 1, 2013 (\$2,916,269).
- As of the close of the current fiscal year, the Town of Butner's governmental funds reported combined ending fund balances of \$7,606,263, an increase of \$976,907, in comparison with the prior year. Approximately 81 percent of this total amount, or \$6,151,384, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,151,384, or 107 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's

individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on 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 Butner, 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 Butner can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and

the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Butner 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds-The Town of Butner has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Butner uses enterprise funds to account for its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 25 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 Butner's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44 of this report.

Town of Butner's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 7,514,602	\$ 8,043,633	\$ 203,228	\$ 401,827	\$ 7,717,830	\$ 8,445,460
Capital assets	23,732,542	26,413,290	-	-	23,732,542	26,413,290
Total assets	<u>\$31,247,144</u>	<u>\$34,456,923</u>	<u>\$ 203,228</u>	<u>\$ 401,827</u>	<u>\$31,450,372</u>	<u>\$34,858,750</u>
Deferred Outflows of Resources	\$ 7,584	\$ 6,644	\$ -	\$ -	\$ 7,584	\$ 6,644
Long-term liabilities outstanding	\$ 2,403,840	\$ 2,128,513	\$ -	\$ -	\$ 2,403,840	\$ 2,128,513
Other liabilities	1,102,803	739,783	8,475	10,554	1,111,278	750,337
Total liabilities	<u>3,506,643</u>	<u>2,868,296</u>	<u>8,475</u>	<u>10,554</u>	<u>3,515,118</u>	<u>2,878,850</u>
Deferred Inflows of Resources	\$ 3,149	\$ -	\$ -	\$ -	\$ 3,149	\$ -
Net assets:						
Invested in capital assets, net of related debt	\$21,232,542	\$24,213,290	\$ -	\$ -	\$21,232,542	\$24,213,290
Restricted	1,253,196	1,248,881	-	-	1,253,196	1,248,881
Unrestricted	5,259,198	6,133,100	194,753	391,273	5,453,951	6,524,373
Total net position	<u>\$27,744,936</u>	<u>\$31,595,271</u>	<u>\$ 194,753</u>	<u>\$ 391,273</u>	<u>\$27,939,689</u>	<u>\$31,986,544</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Butner exceeded liabilities and deferred inflows by \$31,986,544 as of June 30, 2014. The Town's net position increased by \$4,046,855 for the fiscal year ended June 30, 2014. However, the largest portion (75.69%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Butner uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Butner's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Butner's net position, \$1,248,881, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,524,373 is unrestricted.

**Town of Butner Changes in Net position
Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 262,172	\$ 218,546	\$ 340,583	\$ 364,316	\$ 602,755	\$ 582,862
Operating grants and contributions	725,402	1,598,802	-	-	725,402	1,598,802
Capital grants and contributions	57,082	331,914	-	-	57,082	331,914
General revenues:						
Property taxes	1,932,652	2,041,262	-	-	1,932,652	2,041,262
Grants and contributions not restricted to specific programs	1,649,993	1,742,899	-	-	1,649,993	1,742,899
Investment earnings	3,238	11,004	-	-	3,238	11,004
Other	17,831	1,447	82	-	17,913	1,447
Total revenues	\$ 4,648,370	\$ 5,945,874	\$ 340,665	\$ 364,316	\$ 4,989,035	\$ 6,310,190
Expenses:						
General government	\$ 1,460,223	\$ 1,446,897	\$ -	\$ -	\$ 1,460,223	\$ 1,446,897
Public safety	1,907,351	3,184,394	-	-	1,907,351	3,184,394
Environmental Protection	19,168	4,947	-	-	19,168	4,947
Economic and physical	109,651	150,102	-	-	109,651	150,102
Cultural and recreational	185,744	203,080	-	-	185,744	203,080
Transportation	4,572	22,388	-	-	4,572	22,388
Stormwater	-	-	145,912	167,796	145,912	167,796
Interest on long-term debt	73,952	-	-	-	73,952	-
Total expenses	\$ 3,760,661	\$ 5,011,808	\$ 145,912	\$ 167,796	\$ 3,906,573	\$ 5,179,604
Increase in net position	\$ 887,709	\$ 934,066	\$ 194,753	\$ 196,520	\$ 1,082,462	\$ 1,130,586
Net position, July 1	\$ 26,857,227	\$ 30,661,205	\$ -	\$ 194,753	\$ 26,857,227	\$ 30,855,958
Net position, June 30	\$ 27,744,936	\$ 31,595,271	\$ 194,753	\$ 391,273	\$ 27,939,689	\$ 31,986,544

Governmental activities. Governmental activities increased the Town's net position by \$934,066 thereby accounting for 83% of the total growth in the net position of the Town of Butner.

Business-type activities. Business-type activities increased the Town of Butner's net position by \$196,520, accounting for 17% percent of the total growth in the government's net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Butner'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 Butner's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Butner. At the end of the current fiscal year, the Town of Butner's fund balance available in the General Fund was \$6,151,384, while total fund balance reached \$7,317,891. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 107 percent of total General Fund expenditures, while total fund balance represents 126.9 percent of that same amount.

At June 30, 2014, the governmental funds of the Town of Butner reported a combined fund balance of \$7,606,263, a 14.74 percent increase from last year. The increase of \$976,907 is attributable in part to the acquisition of Butner Public Safety Authority with \$956,591 representing their fund balance.

General Fund Budgetary Highlights:

During the fiscal year, the Town did revise the budget. 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 recognized new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenue was greater than budgeted amounts primarily because the collection of ad valorem taxes was better than anticipated, new funding from State of North Carolina and Granville County due to the addition of fire services being provided by the Town, and a large donation from Butner Citizens Planning Ahead.. Expenditures were, overall, held in check to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Butner's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$26,413,290 (net of accumulated depreciation). These assets include land, land improvements, buildings, machinery and equipment and vehicles.

Major capital asset transactions during the year include the following:

- The Town acquired two lots for \$992,825.
- The Town acquired Butner Public Safety assets totaling \$1,959,678.

**Town of Butner's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2013	2014
Land	\$ 12,761,234	\$ 14,135,467
Construction in Progress	3,948,139	4,176,590
Improvements	804,917	721,573
Buildings	5,870,225	6,244,340
Infrastructure	56,370	53,403
Machinery and equipment	193,608	178,805
Computer software	89,479	52,453
Vehicles and motorized equipment	8,570	850,659
Total	\$ 23,732,542	\$ 26,413,290

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

Economic Factors and Next Year's Budgets and Rates

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

- Interest rates remain extremely low and therefore investment income is almost non-existent.
- The unemployment rate continues to decrease.
- A retail building was completed during the fiscal year and there are plans for the construction on another..

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities:

Property taxes (due to an increased property tax collection percentage and the implementation of the NCDMV Tax and Tag Together Program), sales tax revenue (benefiting from the population growth) and intergovernmental revenues from North Carolina Department of Health and Human Services for Public Safety Officers are expected to lead the increase in budgeted revenue by 6 percent.

Budgeted expenditures in the General Fund are expected to increase 6 percent to \$5,252,124.

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 Finance Director, Town of Butner, 415A Central Avenue, P.O. Box 270, Butner, NC 27509-2315.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 6,998,389	\$ -	\$ 6,998,389
Restricted cash and investments	804,192	-	804,192
Accounts receivable	162,015	26,106	188,121
Sales tax receivable	221,246	-	221,246
Taxes receivable	164,693	-	164,693
Internal balances	(375,721)	375,721	-
Accrued interest receivable on taxes	68,809	-	68,809
Prepaid expenses	10	-	10
Total Current Assets	<u>\$ 8,043,633</u>	<u>\$ 401,827</u>	<u>\$ 8,445,460</u>
NON-CURRENT ASSETS			
Capital Assets:			
Land and construction in progress	\$ 18,312,057	\$ -	\$ 18,312,057
Other capital assets, net of depreciation	8,101,233	-	8,101,233
Total Capital Assets, net of depreciation	<u>\$ 26,413,290</u>	<u>\$ -</u>	<u>\$ 26,413,290</u>
Total Noncurrent Assets	<u>\$ 26,413,290</u>	<u>\$ -</u>	<u>\$ 26,413,290</u>
Total Assets	<u>\$ 34,456,923</u>	<u>\$ 401,827</u>	<u>\$ 34,858,750</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges – issuance costs	\$ 6,644	\$ -	\$ 6,644
Total Deferred Outflows of Resources	<u>\$ 6,644</u>	<u>\$ -</u>	<u>\$ 6,644</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued liabilities	\$ 203,868	\$ 9,554	\$ 213,422
Accrued interest payable	99,818	-	99,818
Unearned revenue	-	1,000	1,000
Current portion of long-term liabilities	436,097	-	436,097
Total Current Liabilities	<u>\$ 739,783</u>	<u>\$ 10,554</u>	<u>\$ 750,337</u>
LONG-TERM LIABILITIES			
Due in more than one year	2,128,513	-	2,128,513
Total Liabilities	<u>\$ 2,868,296</u>	<u>\$ 10,554</u>	<u>\$ 2,878,850</u>
NET POSITION			
Net Investment in Capital Assets	\$ 24,213,290	\$ -	\$ 24,213,290
Restricted for:			
Stabilization by state statute	420,806	-	420,806
Transportation (Powell Bill)	539,703	-	539,703
Capital projects	244,880	-	244,880
Grant projects	43,492	-	43,492
Unrestricted	6,133,100	391,273	6,524,373
Total Net Position	<u>\$ 31,595,271</u>	<u>\$ 391,273</u>	<u>\$ 31,986,544</u>

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

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,446,897	\$ 58,641	\$ 541,219	\$ -	\$ (847,037)	\$ -	\$ (847,037)
Public safety	3,184,394	738	869,484	3,302	(2,310,870)	-	(2,310,870)
Environmental protection	4,947	-	4,703	-	(244)	-	(244)
Economic and physical development	150,102	78,313	-	-	(71,789)	-	(71,789)
Cultural and recreational	203,080	80,854	-	50,000	(72,226)	-	(72,226)
Transportation	22,388	-	183,396	278,612	439,620	-	439,620
Total Governmental Activities	\$ 5,011,808	\$ 218,546	\$ 1,598,802	\$ 331,914	\$ (2,862,546)	\$ -	\$ (2,862,546)
Business-type activities:							
Stormwater	\$ 167,796	\$ 364,316	\$ -	\$ -	\$ -	\$ 196,520	\$ 196,520
Total Primary Government	\$ 5,179,604	\$ 582,862	\$ 1,598,802	\$ 331,914	\$ (2,862,546)	\$ 196,520	\$ (2,666,026)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 2,041,262	\$ -	\$ 2,041,262
Grants and contributions not restricted to specific programs					1,742,899	-	1,742,899
Unrestricted investment earnings					11,004	-	11,004
Other revenue					1,447	-	1,447
Total general revenues, special items, transfers					\$ 3,796,612	\$ -	\$ 3,796,612
Change in net position					934,066	196,520	1,130,586
Net position - beginning					30,661,205	194,753	30,855,958
Net position - ending					\$ 31,595,271	\$ 391,273	\$ 31,986,544

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

FUND FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	MAJOR	NON-MAJOR	Total Governmental Funds
	General Fund	Other Governmental Funds	
<u>ASSETS</u>			
Cash and investments	\$ 6,998,389	\$ -	\$ 6,998,389
Restricted cash and investments	539,703	264,489	804,192
Accounts receivable	159,394	2,621	162,015
Sales tax receivable	221,246	-	221,246
Taxes receivable	164,693	-	164,693
Due from other funds	40,167	21,262	61,429
Prepaid expenses	10	-	10
Total Assets	<u>\$ 8,123,602</u>	<u>\$ 288,372</u>	<u>\$ 8,411,974</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 203,868	\$ -	\$ 203,868
Due to other funds	437,150	-	437,150
Total Liabilities	<u>\$ 641,018</u>	<u>\$ -</u>	<u>\$ 641,018</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	\$ 164,693	\$ -	\$ 164,693
FUND BALANCES			
Fund Balance			
Nonspendable:			
Prepaid items	\$ 10	\$ -	\$ 10
Restricted:			
Stabilization by state statute	420,806	-	420,806
Streets – Powell Bill	539,703	-	539,703
Grant Projects	-	2,203	2,203
Committed:			
General government	54,024	-	54,024
Cultural and recreational	76,963	-	76,963
Public safety	75,001	-	75,001
Capital Projects	-	244,880	244,880
Grant Projects	-	41,289	41,289
Assigned:			
Subsequent year's expenditures	-	-	-
Unassigned:	6,151,384	-	6,151,384
Total Fund Balances	<u>\$ 7,317,891</u>	<u>\$ 288,372</u>	<u>\$ 7,606,263</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,123,602</u>	<u>\$ 288,372</u>	<u>\$ 8,411,974</u>

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

**TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total equity and other credits (Exhibit 4)	\$ 7,606,263
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,413,290
Deferred charges reported in governmental activities are not financial resources and therefore are not reported in the funds.	6,644
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	68,809
Liabilities for earned but deferred revenues in fund statements.	164,693
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(2,564,610)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(99,818)</u>
Net position of governmental activities	<u>\$ 31,595,271</u>

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

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>MAJOR</u>	<u>NON-MAJOR</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Funds</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES			
Ad Valorem taxes	\$ 2,028,498	\$ -	\$ 2,028,498
Unrestricted intergovernmental	3,117,086	-	3,117,086
Restricted intergovernmental	220,854	328,612	549,466
Permits and fees	95,464	-	95,464
Sales and services	88,926	-	88,926
Investment earnings	10,939	65	11,004
Other revenue	41,662	-	41,662
Total Revenues	<u>\$ 5,603,429</u>	<u>\$ 328,677</u>	<u>\$ 5,932,106</u>
EXPENDITURES			
Current:			
General government	\$ 2,084,667	\$ -	\$ 2,084,667
Public safety	2,947,543	-	2,947,543
Environmental protection	4,947	-	4,947
Economic and physical development	150,214	-	150,214
Culture and recreation	176,983	-	176,983
Transportation	22,388	-	22,388
Debt service			
Principle retirement	300,000	-	300,000
Interest and other charges	78,422	-	78,422
Capital outlay	-	365,303	365,303
Total Expenditures	<u>\$ 5,765,164</u>	<u>\$ 365,303</u>	<u>\$ 6,130,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (161,735)</u>	<u>\$ (36,626)</u>	<u>\$ (198,361)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	\$ 20,457	\$ -	\$ 20,457
Insurance proceeds	-	198,220	198,220
Interfund transfers	(141,000)	141,000	-
Total Other Financing Sources (Uses)	<u>\$ (120,543)</u>	<u>\$ 339,220</u>	<u>\$ 218,677</u>
NET CHANGE IN FUND BALANCE	(282,278)	302,594	20,316
FUND BALANCE			
Beginning of Year - July 1	<u>7,600,169</u>	<u>(14,222)</u>	<u>7,585,947</u>
Ending Balance - June 30	<u>\$ 7,317,891</u>	<u>\$ 288,372</u>	<u>\$ 7,606,263</u>

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

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net changes in fund balances – total governmental funds	\$	20,316
Governmental funds include the proceeds from the sale of fixed assets as an increase in financial resources. In the Statement of Activities, such proceeds are reduced by the cost of the assets sold.		(19,453)
Governmental funds include the proceeds from insurance claims as an increase in financial resources. In the Statement of Activities, such proceeds reduce construction in progress to which they relate.		(198,220)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in accrued interest receivable on taxes		8,345
Change in deferred revenues for taxes		4,419
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized		1,516,253
Depreciation expense for governmental assets		(552,762)
Adjustments for acquisition of Butner Public Safety Authority assets		(24,748)
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 assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		300,000
Amortization expense for governmental debt issuance costs		(940)
Increase in accrued interest payable		(5,862)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		(88,609)
Other postemployment benefits		(24,673)
Total changes in net position of governmental activities	\$	<u>934,066</u>

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

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Ad Valorem taxes	\$ 1,906,721	\$ 1,906,721	\$ 2,028,498	\$ 121,777
Unrestricted intergovernmental revenues	2,696,905	2,696,805	3,117,086	420,281
Restricted intergovernmental revenues	187,392	190,693	220,854	30,161
Permits and fees	87,000	87,000	95,464	8,464
Sales and services	82,000	82,000	88,926	6,926
Investment earnings	2,650	2,650	10,939	8,289
Other revenues	1,000	1,000	41,662	40,662
Total Revenues	\$ 4,963,668	\$ 4,966,869	\$ 5,603,429	\$ 636,560
EXPENDITURES				
Current:				
General government	\$ 1,373,015	2,448,622	2,084,667	363,955
Public safety	2,783,209	3,137,739	2,947,543	190,196
Environmental protection	16,400	16,400	4,947	11,453
Economic and physical development	150,336	176,951	150,214	26,737
Culture and recreation	202,278	213,809	176,983	36,826
Transportation	28,000	28,000	22,388	5,612
Debt Service:				
Principal retirement	300,000	300,000	300,000	-
Interest and other charges	101,430	101,430	78,422	23,008
Total Expenditures	\$ 4,954,668	\$ 6,422,951	\$ 5,765,164	\$ 657,787
REVENUES OVER (UNDER) EXPENDITURES	\$ 9,000	\$ (1,456,082)	\$ (161,735)	\$ 1,294,347
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	\$ 11,000	\$ 11,000	\$ 20,457	\$ 9,457
Transfers to capital project funds	(20,000)	(161,000)	(141,000)	20,000
Total Other Financing Sources (Uses)	\$ (9,000)	\$ (150,000)	\$ (120,543)	\$ 29,457
Fund Balance Appropriated	\$ -	\$ 1,606,082	\$ -	\$ (1,606,082)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (282,278)	\$ (282,278)
FUND BALANCE				
Beginning balance – July 1			7,600,169	
Ending balance – June 30			<u>\$ 7,317,891</u>	

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

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

	MAJOR ENTERPRISE FUNDS
	Stormwater Fund
ASSETS	
Accounts receivable	\$ 26,106
Due from other funds	415,888
Total Assets	\$ 441,994
LIABILITIES	
Accounts payable and accrued liabilities	\$ 9,554
Due to other funds	40,167
Unearned revenue	1,000
Total Liabilities	\$ 50,721
NET POSITION	
Unrestricted	391,273
Total net position	\$ 391,273

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

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	MAJOR ENTERPRISE FUNDS
	Stormwater Fund
<u>OPERATING REVENUES</u>	
Stormwater fees	\$ 364,316
OPERATING EXPENSES	
Administration	\$ 84,165
Operating	83,631
Total operating expenses	\$ 167,796
Operating income (loss)	\$ 196,520
Change in net position	\$ 196,520
Total net position, beginning	194,753
Total net position, ending	\$ 391,273

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

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>MAJOR ENTERPRISE FUNDS</u>
	<u>Stormwater Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 350,723
Cash paid for goods and services	(67,072)
Cash paid to or on behalf of employees for services	(99,571)
Net cash provided (used) by operating activities	<u>\$ 184,080</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Increase in due from other funds	\$ (86,734)
Decrease in due to other funds	(97,346)
	<u>\$ (184,080)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Balances, beginning	-
Balances, ending	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 196,520
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,518)
Increase (decrease) in accounts payable and accrued liabilities	2,078
Total adjustments	<u>\$ (12,440)</u>
Net cash provided by operating activities	<u>\$ 184,080</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Butner 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 Butner is a municipal corporation that is governed by an elected mayor and a six-member council. These financial statements present only the financial operations of the Town.

B. Basis of Presentation

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

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town of Butner, North Carolina. 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-shared revenues, State grants, and other taxes and licenses. The primary expenditures are for streets and highways, public safety, and general governmental services. The Town maintains a separate Powell Bill fund for accounting purposes. This fund has been consolidated into the General Fund for reporting purposes.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Stormwater Fund – The Stormwater Fund is used for the Town’s stormwater operations.

The Town reports the following non-major governmental funds:

Grant Project Special Revenue Funds – These funds are used to account for grant funds that are restricted for use for a particular purpose. The Greenway Construction Grant Fund, Safe Routes to School Sidewalk Grant Fund, and the Lake Holt Tourism Fund are grant project special revenue funds.

Capital Project Funds – This fund is used to account for funds that are restricted for the use for a particular purpose. The Central Sidewalk Project Fund, B Street Ball Field Project Fund, Central Sidewalk Phase II Project Fund, and the Lake Holt Boat Dock Project Fund are capital project funds.

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 and Proprietary Financial Fund Statements. The government-wide fund and proprietary financial statements are reported using the economic resources measurement focus. The government-wide 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 in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The Town of Butner 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance operations of the current year. Also, as of January 1, 1993, 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, Granville County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Butner. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle tax for vehicles registered in Granville County from March 2013 through February 2014 apply to the fiscal year ended June 30, 2014. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Special Revenue Funds and Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted. 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, 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 principle 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.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 nonguaranteed 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 securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are 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. Money in the Grant Projects and Capital Projects Funds is restricted by grantors for use on those specific projects.

Town of Butner Restricted Cash

Governmental Activities

Transportation(Powell Bill)	\$539,703
Grant Projects	43,391
Capital Projects	<u>221,098</u>
Total Governmental Activities	<u>\$804,192</u>

4. Prepaid Expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are classified as prepaid expenses in both government-wide and fund financial statements.

5. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the Town of Butner, North Carolina has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all categories of capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-40
Improvements	15
Infrastructure	30
Vehicles	5
Furniture and equipment	7
Computer equipment	5

7. 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. 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 future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for the category – prepaid taxes and property taxes receivable.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

9. Compensated Absences

The vacation policy for 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 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 is estimated in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. 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.

Prepaid items – portion of fund balance that is non-spendable since it has been utilized to pay expenses of future periods.

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.

Restricted for Grant Projects – portion of fund balance that is restricted by revenue source for specific grant project expenditures. Fund balance of \$2,203 has been restricted for the Lake Holt Tourism Project.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 Butner's Town Council. Any changes or removal of specific purpose requires majority action by the Town Council.

Committed for General Government -- portion of fund balance that is committed from the general fund by the Town Council for the future establishment of a community center for the citizens of the Town. Fund balance of \$54,024 has been committed for the community center.

Committed for Cultural and Recreational – portion of the fund balance that is committed from the general fund by the Town Council for the establishment of a museum about the history of the Town and Camp Butner. Fund balance of \$76,963 has been committed for the museum and future community center.

Committed for Public Safety – portion of the fund balance committed by the Town Council for LEO Separation Allowance expenditures in the amount of \$75,001.

Committed for Capital Projects -- portion of the fund balance committed by the Town Council for capital project expenditures. Fund balance of \$4,752, \$171,097, \$39,031, and \$30,000, is committed for the Central Sidewalk, B Street Ballfield, Central Sidewalk Phase II, and Lake Holt Boat Dock capital projects, respectively.

Committed for Grant Projects – portion of the fund balance committed by the Town Council for grant project expenditures. Fund balance of \$166 and \$41,123 is committed for the Greenway Construction and Safe Routes to School Sidewalk projects, respectively

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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 Butner 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.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

II. 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 agents in these units' names. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Town relies on the State Treasurer to monitor those financial institutions. The Town analyzes the financial soundness of any other financial institute used by the Town. The Town complies with the provisions of G.S. 159-30 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$ 1,716,137 and a bank balance of \$ 1,808,821. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2014, the Town of Butner had \$6,086,145 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town limits investments to the provisions of G.S. 159-30 and restricts purchases to Certificates of Deposit with approved banks, the North Carolina Capital Management Trust, and interest earning checking accounts.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of allowances for doubtful accounts:

General Fund:	<u>June 30, 2014</u>
Accounts Receivable	
Solid Waste Tax	\$ 1,080
Franchise Tax	99,902
Sales tax refund	24,200
Other receivable	34,212
Less: Allowance for Doubtful Accounts	-
Net Accounts Receivable	<u>\$ 159,394</u>

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

3. Receivables - Allowances for Doubtful Accounts-continued

Sales Tax Receivable	
Local Option Sales Tax	\$221,246
Less: Allowance for Doubtful Accounts	-
Net Sales Tax Receivable	<u>\$221,246</u>
Taxes Receivable	
Ad Valorem Tax	\$164,693
Less: Allowance for Doubtful Accounts	-
Net Taxes Receivable	<u>\$164,693</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$12,761,234	\$1,374,233	\$ -	\$ 14,135,467
Construction in progress	<u>3,948,139</u>	<u>228,451</u>	-	<u>4,176,590</u>
Total capital assets not being depreciated	<u>\$16,709,373</u>	<u>\$1,602,684</u>	\$ -	<u>\$18,312,057</u>
Capital Assets being depreciated:				
Improvements	\$ 916,426	-	(\$ 39,847)	\$ 876,579
Buildings	6,574,539	551,352	-	7,125,891
Infrastructure	59,337	-	-	59,337
Equipment	388,171	78,963	(19,464)	447,670
Computer software	185,129	-	-	185,129
Vehicles	<u>208,132</u>	<u>1,078,710</u>	<u>(41,344)</u>	<u>1,245,498</u>
Total capital assets being depreciated	<u>\$8,331,734</u>	<u>\$1,709,025</u>	<u>(\$100,655)</u>	<u>\$ 9,940,104</u>
Less accumulated depreciation for:				
Improvements	\$ 111,509	\$43,829	(\$ 332)	\$155,006
Buildings	704,314	177,237	-	881,551
Infrastructure	2,967	2,967	-	5,934
Equipment	194,563	74,535	(\$ 233)	268,865
Computer software	95,650	37,026	-	132,676
Vehicles	<u>199,562</u>	<u>217,168</u>	<u>(21,891)</u>	<u>394,839</u>
Total accumulated depreciation	<u>\$1,308,565</u>	<u>\$552,762</u>	<u>(\$22,456)</u>	<u>\$1,838,871</u>
Total capital assets being depreciated, net	<u>7,023,169</u>			<u>8,101,233</u>
Government activity capital assets, net	<u>\$23,732,542</u>			<u>\$ 26,413,290</u>

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

General government	\$ 320,358
Public Safety	<u>232,404</u>
Total depreciation expense	<u>\$ 552,762</u>

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Butner contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and law enforcement officers is 5% and is 5%, respectively, of annual covered payroll. The contribution requirements of the members and of the Town of Butner are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$164,020, \$46,214, and \$38,161, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Butner 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	32
Total	<u>32</u>

A separate report was not issued for the plan.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. The Town has chosen not to have an actuarial study because the annual pension cost is immaterial.

c. Supplemental Retirement Income Plan

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 all 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 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. 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. General employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$113,035 which consisted of \$40,084 from the Town and \$72,951 from the general employees.

d. Other Post-employment Benefits

Healthcare Benefits

Plan Description. By the terms of employment contracts as approved by the Town's governing body, the Town is obligated to provide postretirement health care benefits to three potential retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town at the time of retirement. The Town will pay the full cost of coverage for these benefits. Also, such retirees can purchase coverage for their dependents at the Town's group rates. This benefit is not an element of the Town's current personnel policy, and is not available for current or new hires other than the three individuals noted above.

The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town Resolution that can be amended by the Town Board. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2014 the Town's made zero contributions.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Annual Required Contribution	\$ 24,667
Interest on net OPEB obligation	6
Adjustment to annual required contribution	-
Annual OPEB Cost (Expense)	<u>24,673</u>
Contributions made	-
Increase (decrease) in net OPEB obligation	24,673
Net OPEB obligation, beginning of year	<u>203,840</u>
Net OPEB obligation, end of year	<u>\$ 228,513</u>

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, 2014 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$24,673	0.00%	\$228,513
2013	\$75,448	0.00%	\$203,392
2012	\$65,389	0.00%	\$128,392
2011	\$37,229	0.00%	\$63,003

Funded Status and Funding Process. As of June 30, 2014, the actuarial accrued liability for benefits was \$292,875 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan was \$184,976, and the ratio of the unfunded accrued liability to the covered payroll was 158 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to 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

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to period the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.3 percent initially, reduced to an ultimate rate of 5.6 percent after six years, was used.

Health insurance premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.00 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal 1 percent.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of .05 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was twenty-eight years.

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 service in the System, or who die within 180 days after retirement or termination of service and have at least one year of

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits in the amount of \$-0-. The Town's required contribution for employees not engaged in law enforcement represented 0.00% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Deferred Outflows and Inflows of Resources

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

	Unavailable <u>Revenue</u>
Ad valorem taxes receivable	<u>\$ 164,693</u>
Total:	<u>\$ 164,693</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$ 500,000 and \$ 300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$ 150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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 Director is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond agreement. The blanket bond agreement covers employee dishonesty up to \$50,000, forgery or alteration up to \$50,000, theft of money inside the premises up to \$10,000 and theft of money outside the premises up to \$50,000.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

The Town has made the decision that the cost of carrying flood insurance outweighs the risk.

4. Claims, Judgments and Contingent Liabilities

During the year ended June 30, 2014, the Town consulted attorneys on various legal matters. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. Long-Term Obligations

a. Installment Purchase

In July 2010, the Town entered into a loan for \$2,000,000 under the Build America Bonds to finance the construction of a new Town Hall. The loan requires 10 annual principal payments commencing in July 2011 with an interest rate of 4.5 percent. The loan will conclude in 2021 with a final payment of all unpaid principal and interest.

In August 2011, the Town entered into a loan for \$1,000,000 for the construction of an athletic park. The loan requires principal payments beginning in fiscal year 2013 with an interest rate of 3.27 percent.

Annual debt service payments of the installment purchase as of June 30, 2014, including \$369,720 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$300,000	\$89,160
2016	300,000	76,890
2017	300,000	64,620
2018	300,000	52,350
2019	300,000	27,810
2020-2022	700,000	58,890
Total	<u>\$2,200,000</u>	<u>\$ 369,720</u>

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Installment Purchases	\$ 2,500,000	\$ -	\$ 300,000	\$ 2,200,000	\$ 300,000
Compensated Absences	47,488	88,609	-	136,097	136,097
Other Postemployment Benefits	203,840	24,673	-	228,513	-
Governmental Activity Long-term Liabilities	\$ 2,751,328	\$ 113,282	\$ 300,000	\$ 2,564,610	\$ 436,097
Business-type Activities:					
Compensated Absences	\$ 4,902	\$ -	\$ 60	\$ 4,842	\$ 4,842

C. Interfund Balances Activity

Balances due to/from other funds at June 30, 2014 consist of the following:

Due from the General Fund:

Capital Project Funds:	
B Street Ballfield Fund	\$ 21,262
Proprietary Fund:	
Stormwater	415,888
Total due from the General Fund	<u>\$ 437,150</u>

Due to the General Fund:

Proprietary Fund:	
Stormwater Fund	<u>\$ 40,167</u>

Net amount due from the General Fund \$ 396,983

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

D. Fund Balance

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

<u>Total Fund Balance—General Fund</u>	<u>\$ 7,317,891</u>
Less:	
Nonspendable: Prepaid items	10
Stabilization by State Statute	420,806
Streets – Powell Bill	539,703
General Government	54,024
Culture and Recreation	76,963
Public Safety	75,001
Appropriated fund balance in 2015 budget	-
Remaining Fund Balance	<u>\$6,151,384</u>

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

III. GOVERNMENT MERGER

On July 1, 2013 the Town acquired Butner Public Safety Authority because of the dissolution of the Authority by the State Legislature. The assets of the Authority were transferred to the Town. Butner Public Safety Authority is now a department of the Town.

Reconciliation of Government Merger

	June 30, 2013 Butner Public Safety Authority	June 30, 2013 Town of Butner	July 1, 2013 Town of Butner
Fund Balance- Governmental Funds	\$956,591	\$6,629,356	\$7,585,947
Net Position- Governmental Funds	\$2,916,269	\$27,744,936	\$30,661,205

The book value of capital assets transferred on July 1, 2013 was \$1,959,678.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. 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.

Leased Facilities

Pursuant to an agreement executed between the Town and the South Granville Water and Sewer Authority (SGWASA), effective May 2011, the Town leases office space within the Butner Town Hall to SGWASA under the terms of an operating lease expiring May 31, 2031. Under the terms of the agreement, annual minimum lease payments to be remitted to the Town were \$60,000. These revenues are accounted for in the General Fund.

In addition, under the terms of the agreement, SGWASA will pay to the Town additional rent representing a percentage of the utilities, trash collection/disposal, and HVAC maintenance/repair incurred by the Town with regards to the Butner Town Hall.

Under the above agreement, SGWASA paid \$60,000 to the Town of Butner for the fiscal year ended June 30, 2014.

Commitments and Contingencies

With Senate Bill 491, of the 2005-06 Legislative Session entitled "AN ACT TO TRANSFER THE ASSETS OF THE BUTNER WATER AND SEWER SYSTEM TO THE SOUTH GRANVILLE WATER AND SEWER AUTHORITY, AND TO PROVIDE THAT BUTNER PUBLIC SAFETY SHALL BE CONSIDERED THE EQUIVALENT OF A MUNICIPAL POLICE DEPARTMENT FOR PURPOSES OF THE LAWS PROVIDING FOR COOPERATION BETWEEN LAW ENFORCEMENT AGENCIES AND ASSISTANCE TO THE STATE LAW ENFORCEMENT AGENCIES", the General Assembly of North Carolina enacted that South Granville

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Water and Sewer Authority shall pay to the Department of Health and Human Services a monthly sum to be used by the Department to support the operations of the Butner Reservation. If the majority of the functions of the Butner Reservation are assumed by a municipal corporation (Town of Butner) organized pursuant to the laws of the State of North Carolina, SGWASA shall pay to such municipal corporation (Town of Butner) the sum of forty-one thousand six hundred sixty-six dollars and sixty-seven cents (\$41,666.67) per month for a period of 240 months from the date of said incorporation. The amount received by the Town of Butner for the year ended in June 30, 2014 was \$500,000.

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Town has evaluated events and transactions that occurred between June 30, 2014 and December 12, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No significant subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BUTNER, 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)
06/30/2010	\$ -	\$ 134,781	\$ 134,781	0.00%	\$ 155,956	86.4%
06/30/2011	-	219,676	219,676	0.00%	179,411	122.4%
06/30/2012	-	409,793	409,793	0.00%	180,352	227.2%
06/30/2013	-	786,323	786,323	0.00%	187,593	419.2%
06/30/2014	-	292,875	292,875	0.00%	184,976	158.3%

**TOWN OF BUTNER, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	\$ 25,774	0.00%
2011	37,139	0.00%
2012	64,955	0.00%
2013	75,448	0.00%
2014	24,667	0.00%

Notes to the Required Schedules:

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

Valuation Date	6/30/2014
Actuarial cost method	Unit Credit Cost Method
Amortization method	Level percent open
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	2.00%
Projected salary increases	1.00%
Medical cost trend	12 - 6%
* Includes inflation at	3.80%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014		VARIANCE POSITIVE (NEGATIVE)	2013
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Ad Valorem Taxes				
Current year	\$ 1,896,721	\$ 1,970,861	\$ 74,140	\$ 1,884,682
Prior years	-	41,143	41,143	121,640
Penalties and interest	10,000	16,494	6,494	14,812
Total	<u>\$ 1,906,721</u>	<u>\$ 2,028,498</u>	<u>\$ 121,777</u>	<u>\$ 2,021,134</u>
Unrestricted Intergovernmental Revenues				
ABC profit distribution	\$ 15,000	\$ 36,474	\$ 21,474	\$ 28,462
Local option sales tax	1,148,520	1,255,958	107,438	1,199,372
Franchise tax	524,093	416,794	(107,299)	391,184
Fire Protection Funding	81,450	155,738	74,288	0
DHHS Public Safety Service Contract	388,088	713,746	325,658	-
Contract for SGWASA	500,000	500,000	-	500,000
Solid Waste tax	4,991	4,703	(288)	4,322
Beer and wine tax	34,663	33,673	(990)	30,975
Total	<u>\$ 2,696,805</u>	<u>\$ 3,117,086</u>	<u>\$ 420,281</u>	<u>\$ 1,649,993</u>
Restricted Intergovernmental Revenues				
Granville Co. Recreation Funding	\$ 9,582	\$ 11,156	\$ 1,574	\$ 57,082
State grant income	181,111	186,698	5,587	181,080
Local grant income	-	23,000	23,000	40,000
Total	<u>\$ 190,693</u>	<u>\$ 220,854</u>	<u>\$ 30,161</u>	<u>\$ 782,484</u>
Permit and Fees				
Court facilities fees	\$ -	\$ 738	\$ 738	\$ -
Special use permits	10,000	4,980	(5,020)	13,268
Business license fees	75,000	73,333	(1,667)	159,445
Other Fees	2,000	16,413	14,413	-
Total	<u>\$ 87,000</u>	<u>\$ 95,464</u>	<u>\$ 8,464</u>	<u>\$ 172,713</u>
Sales and Services				
Rentals	\$ 82,000	\$ 88,926	\$ 6,926	\$ 89,459
Investment Earnings				
General Fund	\$ 2,500	\$ 10,893	\$ 8,393	\$ 2,761
Powell Bill interest	150	46	(104)	133
Total	<u>\$ 2,650</u>	<u>\$ 10,939</u>	<u>\$ 8,289</u>	<u>\$ 2,894</u>

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014		VARIANCE POSITIVE (NEGATIVE)	2013
	BUDGET	ACTUAL		ACTUAL
REVENUES-continued				
Other revenues				
Contributions and donations	\$ -	\$ 41,219	\$ 41,219	\$ -
Miscellaneous	1,000	443	(557)	7,980
Total	<u>\$ 1,000</u>	<u>\$ 41,662</u>	<u>\$ 40,662</u>	<u>\$ 7,980</u>
Total Revenues	<u>\$ 4,966,869</u>	<u>\$ 5,603,429</u>	<u>\$ 636,560</u>	<u>\$ 4,726,657</u>
EXPENDITURES				
General Government				
Governing Body				
Salaries and employee benefits	\$ 40,907	\$ 40,907	\$ -	\$ 40,907
Ad valorem collection fee	35,645	32,346	3,299	30,564
Other operating expenditures	73,275	49,462	23,813	54,327
Total Governing Body	<u>\$ 149,827</u>	<u>\$ 122,715</u>	<u>\$ 27,112</u>	<u>\$ 125,798</u>
Executive Department				
Salaries and employee benefits	\$ 281,147	\$ 280,365	\$ 782	\$ 279,908
Other operating expenditures	79,540	63,970	15,570	56,779
Total Executive Department	<u>\$ 360,687</u>	<u>\$ 344,335</u>	<u>\$ 16,352</u>	<u>\$ 336,687</u>
Finance Department				
Salaries and employee benefits	\$ 136,750	\$ 134,555	\$ 2,195	\$ 99,076
Other operating expenditures	15,800	13,052	2,748	15,645
Total Finance Department	<u>\$ 152,550</u>	<u>\$ 147,607</u>	<u>\$ 4,943</u>	<u>\$ 114,721</u>
Legal Department				
Salaries and employee benefits	\$ 11,626	\$ 10,800	\$ 826	\$ 11,626
Other operating expenditures	38,000	31,183	6,817	20,021
Total Legal Department	<u>\$ 49,626</u>	<u>\$ 41,983</u>	<u>\$ 7,643</u>	<u>\$ 31,647</u>
Public Works Facility				
Salaries and employee benefits	\$ 254,406	\$ 240,398	\$ 14,008	\$ 244,026
Other operating expenditures	63,302	32,626	30,676	60,721
Repairs and maintenance	23,500	17,461	6,039	9,710
Capital outlay	192,362	38,457	153,905	-
Capital outlay, non-depreciable	-	-	-	499
Total Public Works Facility	<u>\$ 533,570</u>	<u>\$ 328,942</u>	<u>\$ 204,628</u>	<u>\$ 314,956</u>

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014		VARIANCE POSITIVE (NEGATIVE)	2013
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
EMS Building				
Operating expenditures	\$ 3,800	\$ 1,034	\$ 2,766	\$ 1,060
Christmas Decorations				
Other operating expenditures	\$ 6,500	\$ 6,218	\$ 282	\$ 4,973
Non-departmental				
Insurance	\$ 40,399	\$ 18,695	\$ 21,704	\$ 45,109
Landscaping and beautification	2,000	1,497	503	8,095
Capital outlay	51,285	7,498	43,787	-
Capital outlay, non-depreciable	1,005,450	992,825	12,625	-
Miscellaneous	31,728	21,375	10,353	-
Total Non-departmental	\$ 1,130,862	\$ 1,041,890	\$ 88,972	\$ 53,204
City Hall				
Operating expenditures	\$ 61,200	\$ 49,943	\$ 11,257	\$ 41,145
Total General Government	\$ 2,448,622	\$ 2,084,667	\$ 363,955	\$ 1,024,191
Public Safety				
Salaries and employee benefits	\$ 2,166,249	\$ 2,348,656	\$ (182,407)	\$ -
Capital outlay	318,340	202,950	115,390	-
Operating expenditures	653,150	395,937	257,213	1,907,351
Total Public Safety	\$ 3,137,739	\$ 2,947,543	\$ 190,196	\$ 1,907,351
Environmental Protection				
Operating expenditures	\$ 16,400	\$ 4,947	\$ 11,453	\$ 19,168
Economic and Physical Development				
Salaries and employee benefits	\$ 111,251	\$ 107,673	\$ 3,578	\$ 92,979
Other operating expenditures	65,700	42,541	23,159	15,826
Total Economic and Physical Dev.	\$ 176,951	\$ 150,214	\$ 26,737	\$ 108,805

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
With Comparative Totals for the Year Ended June 30, 2013**

	2014		VARIANCE POSITIVE (NEGATIVE)	2013
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Cultural and Recreation				
Non-departmental				
Operating expenditures	\$ 13,481	\$ 11,170	\$ 2,311	\$ 5,385
Capital outlay	-		-	28,253
Total Non-departmental	\$ 13,481	\$ 11,170	\$ 2,311	\$ 33,638
Gazebo and Park				
Operating expenditures	\$ 5,100	\$ 3,918	\$ 1,182	\$ 3,194
Repairs and maintenance	5,000	587	4,413	4,365
Total Gazebo and Park	\$ 10,100	\$ 4,505	\$ 5,595	\$ 7,559
Sports Arena				
Operating expenditures	\$ 28,450	\$ 31,318	\$ (2,868)	\$ 24,441
Repairs and maintenance	8,000	2,843	5,157	8,002
Total Sports Arena	\$ 36,450	\$ 34,161	\$ 2,289	\$ 32,443
Lake Holt				
Operating expenditures	\$ 1,966	\$ 504	\$ 1,462	\$ 574
Repairs and maintenance	5,000	4,224	776	4,018
Total Lake Holt	\$ 6,966	\$ 4,728	\$ 2,238	\$ 4,592
B Street Ball Field				
Salaries and employee benefits	\$ 18,612	\$ 24,654	\$ (6,042)	\$ -
Operating expenditures	103,400	73,395	30,005	29,643
Repairs and maintenance	7,000	22,141	(15,141)	4,792
Capital outlay	10,000	-	10,000	25,220
Total B Street Ball Field	\$ 139,012	\$ 120,190	\$ 18,822	\$ 59,655
D Street Ball Field				
Operating expenditures	\$ 2,800	\$ 1,845	\$ 955	\$ 2,215
Repairs and maintenance	5,000	384	4,616	2,626
Total D Street Ball Field	\$ 7,800	\$ 2,229	\$ 5,571	\$ 4,841
Total Culture and Recreation	\$ 213,809	\$ 176,983	\$ 36,826	\$ 142,728

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014		VARIANCE POSITIVE (NEGATIVE)	2013
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Transportation				
Operating expenditures	\$ 28,000	\$ 22,388	\$ 5,612	\$ -
Capital outlay	-	-	-	-
Capital outlay, non-depreciable	-	-	-	4,572
Total Transportation	\$ 28,000	\$ 22,388	\$ 5,612	\$ 4,572
Debt Service				
Principal retirement	\$ 300,000	\$ 300,000	\$ -	\$ 300,000
Interest and other charges	101,430	78,422	23,008	85,350
Total Debt Service	\$ 401,430	\$ 378,422	\$ 23,008	\$ 385,350
TOTAL EXPENDITURES	\$ 6,422,951	\$ 5,765,164	\$ 657,787	\$ 3,592,165
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,456,082)	\$ (161,735)	\$ 1,294,347	\$ 1,134,492
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	\$ 11,000	\$ 20,457	\$ 9,457	\$ 15,775
Transfers (to) from capital project funds	(161,000)	(141,000)	20,000	(171,000)
Total Other Financing Sources	\$ (150,000)	\$ (120,543)	\$ 29,457	\$ (155,225)
Fund Balance Appropriated	\$ 1,606,082	\$ -	\$ (1,606,082)	\$ -
NET CHANGE IN FUND BALANCE	\$ -	(282,278)	\$ (282,278)	\$ 979,267
FUND BALANCE:				
Beginning balance – July 1		7,600,169		5,664,311
Ending balance – June 30		\$ 7,317,891		\$ 6,643,578

TOWN OF BUTNER, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.

	Greenway Construction Fund		Safe Routes To School Sidewalk Grant Fund		Lake Holt Tourism Grant Fund		Central Sidewalk Capital Project		B Street Ball Field Capital Project		Central Sidewalk Phase II Capital Project		Lake Holt Boat Dock Capital Project		Total Non-Major Governmental Funds	
ASSETS																
Cash and Investments	\$ 166	\$ 41,023	\$ 2,203	\$ 4,752	\$ 147,314	\$ 39,031	\$ 30,000	\$ 264,489								
Accounts Receivable	-	100	-	-	2,521	-	-	2,621								
Due From Other Funds - General Fund	-	-	-	-	21,262	-	-	21,262								
Total Assets	\$ 166	\$ 41,123	\$ 2,203	\$ 4,752	\$ 171,097	\$ 39,031	\$ 30,000	\$ 288,372								
FUND BALANCES																
Restricted																
Grant Projects	\$ -	\$ -	\$ 2,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,203
Committed																
Capital Projects																
Grant Projects	166	41,123	-	4,752	171,097	39,031	30,000	244,880								
Total Fund Balances	\$ 166	\$ 41,123	\$ 2,203	\$ 4,752	\$ 171,097	\$ 39,031	\$ 30,000	\$ 41,289								

TOWN OF BUTNER, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.

	Greenway Construction Fund	Safe Routes To School Sidewalk Grant Fund	Lake Holt Tourism Grant Fund	Central Sidewalk Capital Project	B Street Ball Field Capital Project	Central Sidewalk Phase II Capital Project	Lake Holt Boat Dock Capital Project	Total Non-Major Governmental Funds
REVENUES								
Grant Revenue	\$ -	\$ 278,612	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 328,612
Investment Earnings	-	29	-	25	-	11	-	65
Total Revenues	\$ -	\$ 278,641	\$ -	\$ 50,025	\$ 50,025	\$ 11	\$ -	\$ 328,677
EXPENDITURES								
Capital Outlay	\$ -	\$ 256,515	\$ -	\$ -	\$ 96,808	\$ 11,980	\$ -	\$ 365,303
REVENUES OVER EXPENDITURES	\$ -	\$ 22,126	\$ -	\$ (46,783)	\$ (11,969)	\$ -	\$ -	\$ (36,626)
OTHER FINANCING SOURCES (USES)								
Transfers (to) from other funds:								
General Fund	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 51,000	\$ 30,000	\$ 141,000
Insurance Proceeds	-	-	-	198,220	-	-	-	198,220
Total Other Financing Sources	\$ -	\$ 60,000	\$ -	\$ 198,220	\$ 198,220	\$ 51,000	\$ 30,000	\$ 339,220
NET CHANGE IN FUND BALANCE	\$ -	\$ 82,126	\$ -	\$ 151,437	\$ 39,031	\$ -	\$ 30,000	\$ 302,594
FUND BALANCE								
Beginning	166	(41,003)	2,203	4,752	19,660	-	-	(14,222)
Ending	\$ 166	\$ 41,123	\$ 2,203	\$ 4,752	\$ 171,097	\$ 39,031	\$ 30,000	\$ 288,372

TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – GREENWAY CONSTRUCTION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Greenway Construction					
CMAQ Grant	\$ 393,600	\$ 205,268	\$ -	\$ 205,268	\$ (188,332)
EXPENDITURES					
Capital Outlay	492,000	264,707	-	264,707	227,293
REVENUES OVER EXPENDITURES	\$ (98,400)	\$ (59,439)	\$ -	\$ (59,439)	\$ 38,961
OTHER FINANCING SOURCES (USES)					
Transfers (to) from General Fund	98,400	59,605	-	59,605	(38,795)
NET CHANGE IN FUND BALANCE	\$ -	\$ 166	\$ -	\$ 166	\$ 166
FUND BALANCE					
Beginning			166		
Ending			<u>\$ 166</u>		

TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT– SAFE ROUTES TO SCHOOL SIDEWALK
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Safe Routes to School					
Sidewalk Grant	\$ 300,000	\$ 20,990	\$ 278,612	\$ 299,602	\$ (398)
Investment Earnings	-	58	29	87	87
Total Revenues	<u>\$ 300,000</u>	<u>\$ 21,048</u>	<u>\$ 278,641</u>	<u>\$ 299,689</u>	<u>\$ (311)</u>
EXPENDITURES					
Capital Outlay	<u>320,000</u>	<u>82,051</u>	<u>256,515</u>	<u>338,566</u>	<u>(18,566)</u>
REVENUES OVER EXPENDITURES	<u>\$ (20,000)</u>	<u>\$ (61,003)</u>	<u>\$ 22,126</u>	<u>\$ (38,877)</u>	<u>\$ (18,877)</u>
OTHER FINANCING SOURCES					
Transfer from General Fund	<u>20,000</u>	<u>20,000</u>	<u>60,000</u>	<u>80,000</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ (41,003)</u></u>	<u><u>\$ 82,126</u></u>	<u><u>\$ 41,123</u></u>	<u><u>\$ 41,123</u></u>
FUND BALANCE					
Beginning			<u>(41,003)</u>		
Ending			<u><u>\$ 41,123</u></u>		

TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – LAKE HOLT TOURISM
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Lake Holt Tourism Project	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -
EXPENDITURES					
Cultural and Recreational:					
Capital Outlay	2,500	297	-	297	2,203
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 2,203</u>	<u>\$ -</u>	<u>\$ 2,203</u>	<u>\$ 2,203</u>
FUND BALANCE					
Beginning			2,203		
Ending			<u>\$ 2,203</u>		

**TOWN OF BUTNER, NORTH CAROLINA
 CAPITAL PROJECTS FUND- CENTRAL SIDEWALK PROJECT
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental:					
Division of Bicycle and Pedestrian Transportation Grant	\$ 110,000	\$ 110,000	\$ -	\$ 110,000	\$ -
EXPENDITURES					
Capital Outlay	127,600	122,848	-	122,848	4,752
REVENUES OVER EXPENDITURES	\$ (17,600)	\$ (12,848)	\$ -	\$ (12,848)	\$ 4,752
OTHER FINANCING SOURCES					
Transfer from General Fund – Powell Bill Fund Balance	17,600	17,600	-	17,600	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 4,752	\$ -	\$ 4,752	\$ 4,752
FUND BALANCE					
Beginning			4,752		
Ending			\$ 4,752		

TOWN OF BUTNER, NORTH CAROLINA
CAPITAL PROJECTS FUND – B STREET BALLFIELD
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental :					
B Street Ballfield PARTF Grant	\$ 500,000	\$ 450,000	\$ 50,000	\$ 500,000	\$ -
Investment earnings	-	632	25	657	657
Total Revenues	<u>\$ 500,000</u>	<u>\$ 450,632</u>	<u>\$ 50,025</u>	<u>\$ 500,657</u>	<u>\$ 657</u>
EXPENDITURES					
Debt Service					
Issuance costs	\$ -	\$ 1,900	\$ -	\$ 1,900	\$ (1,900)
Capital outlay	4,087,886	4,007,650	96,808	4,104,458	(16,572)
Total Expenditures	<u>\$ 4,087,886</u>	<u>\$ 4,009,550</u>	<u>\$ 96,808</u>	<u>\$ 4,106,358</u>	<u>\$ (18,472)</u>
REVENUES UNDER EXPENDITURES	<u>\$ (3,587,886)</u>	<u>\$ (3,558,918)</u>	<u>\$ (46,783)</u>	<u>\$ (3,605,701)</u>	<u>\$ (17,815)</u>
OTHER FINANCING SOURCES					
Transfer from General Fund	\$ 2,587,886	\$ 2,578,578	\$ -	\$ 2,578,578	\$ (9,308)
Insurance Proceeds	-	-	198,220	198,220	198,220
Loan Proceeds	1,000,000	1,000,000	-	1,000,000	-
Total Other Financing Sources	<u>\$ 3,587,886</u>	<u>\$ 3,578,578</u>	<u>\$ 198,220</u>	<u>\$ 3,776,798</u>	<u>\$ 188,912</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 19,660</u>	<u>\$ 151,437</u>	<u>\$ 171,097</u>	<u>\$ 171,097</u>
FUND BALANCE					
Beginning			19,660		
Ending			<u>\$ 171,097</u>		

**TOWN OF BUTNER, NORTH CAROLINA
 CAPITAL PROJECTS FUND – CENTRAL AVENUE SIDEWALK PHASE II
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental :					
DOT Grant	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Investment earnings	-	-	11	11	11
Total Revenues	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ (99,989)</u>
EXPENDITURES					
Capital outlay	\$ 151,000	\$ -	\$ 11,980	\$ 11,980	\$ 139,020
REVENUES UNDER EXPENDITURES	\$ (51,000)	\$ -	\$ (11,969)	\$ (11,969)	\$ 39,031
OTHER FINANCING SOURCES (USES)					
Transfer (to) from General Fund	51,000	-	51,000	51,000	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	39,031	<u>\$ 39,031</u>	<u>\$ 39,031</u>
FUND BALANCE					
Beginning			-		
Ending			<u>\$ 39,031</u>		

**TOWN OF BUTNER, NORTH CAROLINA
 CAPITAL PROJECT-LAKE HOLT BOAT DOCK
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
General government:					
Capital Outlay	30,000	-	-	-	30,000
REVENUES UNDER EXPENDITURES	\$ (30,000)	\$ -	\$ -	\$ -	\$ 30,000
OTHER FINANCING SOURCES					
Transfer from General Fund	30,000	-	30,000	30,000	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 30,000
FUND BALANCE					
Beginning			-		
Ending			<u>\$ 30,000</u>		

**TOWN OF BUTNER, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>BUDGET</u>	<u>CURRENT YEAR</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:			
Operating revenues:			
Stormwater fees	\$ 325,205	\$ 364,316	\$ 39,111
Investment earnings	-	-	-
Total Revenues	<u>\$ 325,205</u>	<u>\$ 364,316</u>	<u>\$ 39,111</u>
EXPENDITURES			
Administration:			
Salaries and employee benefits	\$ 38,298	\$ 18,590	\$ 19,708
Professional services	48,286	46,741	1,545
Other operating expenditures	29,237	18,894	10,343
Total Expenditures	<u>\$ 115,821</u>	<u>\$ 84,225</u>	<u>\$ 31,596</u>
EXPENDITURES			
Operating:			
Salaries and employee benefits	\$ 82,208	\$ 81,856	\$ 352
Repairs and maintenance	123,396	1,156	122,240
Other operating expenditures	3,780	619	3,161
Total Expenditures	<u>\$ 209,384</u>	<u>\$ 83,631</u>	<u>\$ 125,753</u>
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 196,460</u>	<u>\$ 196,460</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Reconciling items:			
Decrease in accrued vacation pay		60	
Change in net position		<u>\$ 196,520</u>	

OTHER SCHEDULES

**TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014**

YEAR	UNCOLLECTED BALANCE June 30, 2013	ADDITIONS	COLLECTIONS AND CREDITS	UNCOLLECTED BALANCE June 30, 2014
2013-2014	\$ -	\$ 2,045,159	\$ 1,998,222	\$ 46,937
2012-2013	49,394	-	35,654	13,740
2011-2012	6,991	-	2,255	4,736
2010-2011	4,136	-	981	3,155
2009-2010	4,358	-	899	3,459
2008-2009	3,086	-	367	2,719
2007-2008	34,701	-	172	34,529
2006-2007	52,923	-	229	52,694
2005-2006	1,503	-	162	1,341
2004-2005	1,472	-	89	1,383
2003-2004	1,711	-	1,711	-
	<u>\$ 160,275</u>	<u>\$ 2,045,159</u>	<u>\$ 2,040,741</u>	<u>\$ 164,693</u>

Reconciliation with Revenues:

Ad Valorem Tax -- General Fund	2,028,498
Tax Discounts and Releases	25,003
Tax Penalties and Interest	(16,494)
Refunds	2,022
Taxes Written Off	1,711
Total Collections and Credits	<u>\$ 2,040,740</u>

**TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES
JUNE 30, 2014**

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 518,924,855	0.35	\$ 1,816,237	\$ 1,816,237	\$ -
Registered motor vehicles taxed at current year's rate	<u>57,463,753</u>	0.35	<u>201,123</u>	<u>-</u>	<u>201,123</u>
Total Levy	\$ 576,388,608		\$ 2,017,360	\$ 1,816,237	\$ 201,123
Discoveries	8,418,431	0.35	29,465	29,465	-
Abatements	<u>(476,029)</u>	0.35	<u>(1,666)</u>	<u>(1,666)</u>	<u>-</u>
Total Property Valuation	<u>\$ 584,331,010</u>				
Net Levy			\$ 2,045,159	\$ 1,844,036	\$ 201,123
Less: Uncollected Tax at June 30, 2014			<u>(46,937)</u>	<u>(35,282)</u>	<u>(11,655)</u>
Current Year Taxes Collected			<u>\$ 1,998,222</u>	<u>\$ 1,808,754</u>	<u>\$ 189,468</u>
Current Levy Collection %			<u>97.70%</u>	<u>98.09%</u>	<u>94.21%</u>

COMPLIANCE SECTION

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Susan R. Waters, CPA
Michael H. Brafford, CPA
Franklin L. Irvin, Jr., CPA
Janet N. Green, CPA
Cecilla E. Leahy, CPA
Ronald S. Dorsey, CPA (Retired)

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Butner's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. [2014-1, 2014-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Butner'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*.

Town of Butner's Response to Findings

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

Purpose of this Report

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

Phillips, Dorsey, Thomas, Waters & Brafford, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2014

TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

MATERIAL WEAKNESS

2014-1 Documentation of Salary Increases

Criteria: Salary increases should be documented in the employee's personnel file and contain appropriate approvals.

Condition: During tests of payroll transactions it was noted that the Finance Director and Town Manager received salary increases for which no documentation or approval existed in their respective personnel files.

Effect: Funds could be expended for salaries that were not approved by the Town Council.

Cause: The Town did not employ an HR Director until January of 2014.

Recommendations: The HR Director should perform a periodic review of employee personnel files to ensure that salaries being paid are approved and documented.

Views of responsible officials and planned corrective actions:

Effective July 1, 2010 received a cost of living adjustment (COLA) as part of FY 2010 – 2011 budget. At the time of this pay increase, the Town's payroll was handled externally and a spreadsheet showing the new salaries were sent to the person responsible for processing our payroll, but no Personnel Action Forms were created for the COLA.

In July 2012, because of additional duties given to the Finance Director related to the formation of the Butner Public Safety Authority, a 5% temporary increase was approved by the Town Council to compensate for the extra responsibilities. No Personnel Action Form was completed and placed in her personnel file.

In January 2014, the Town of Butner hired an Administrative Officer. Included in the duties of this position is the performance of Human Resources related functions. Currently prior to taking any action related to an employee's pay rate, a Personnel Action Form is prepared and signed by the Department Head, the Administrative Officer, the Town Manager and the Finance Director. The original of the form is placed in the employee's personnel file.

MATERIAL WEAKNESS

2014-2 Computer Controls over Invoice Approval

Criteria: When invoice approval is performed electronically, care should be taken to ensure that approvals are made only by authorized personnel. Passwords should not be shared in order to ensure that system overrides are not possible.

Condition: During our inquiries regarding internal controls it was brought to our attention that the Finance Director has access to the Town Manager's system password and frequently performs invoice approval on behalf of the Town Manager. Computer controls are in place to ensure that final invoice approval is made by the Town Manager since the Finance Director is charged with check writing but these controls are not operating effectively.

Effect: Transactions could be mishandled since the Finance Director approves invoices and writes checks.

Cause: There are a limited number of personnel for certain functions.

TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Recommendations: Passwords for computer controls should not be shared among employees and should be changed periodically to ensure controls are properly maintained.

Views of responsible officials and planned corrective actions:

At the time of the implementation of our current general ledger/accounts payable software, the final approval for the payment of accounts payable invoices was assigned to the Town Manager. As the staff member with administrative rights to the software, the Finance Director had to set up user id's and passwords for all employees.

If the Town Manager was not available to execute the final approval for the accounts payable invoices to be released for payment, the Finance Officer would perform this task on his behalf. Copies of invoices relate to accounts payable checks are provided to the Town Manager for review at the time of check signing. If he has a specific question or problem with a payment, it can be voided until the problem is resolved.

We will change the final electronic approval to be the Finance Director and will have the Town Manager, by initial or stamp, note on the face of invoices that he has reviewed them and given his approval for payment. Since the approval of accounts payable invoices is the only function assigned to the Manager in the New World Systems software, his user id will be eliminated.