

TOWN OF BUTNER, NORTH CAROLINA
FINANCIAL STATEMENTS
JUNE 30, 2016

Town Council Members

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Bill McKellar

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William L. Stark and Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Butner 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 activities, 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, 2016, and the related notes to the financial statements, which collectively comprise 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on page 54, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 55, and the Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress on page 56, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Butner's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures

performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any 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, 2016 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 Town of Butner's internal control over financial reporting and compliance.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

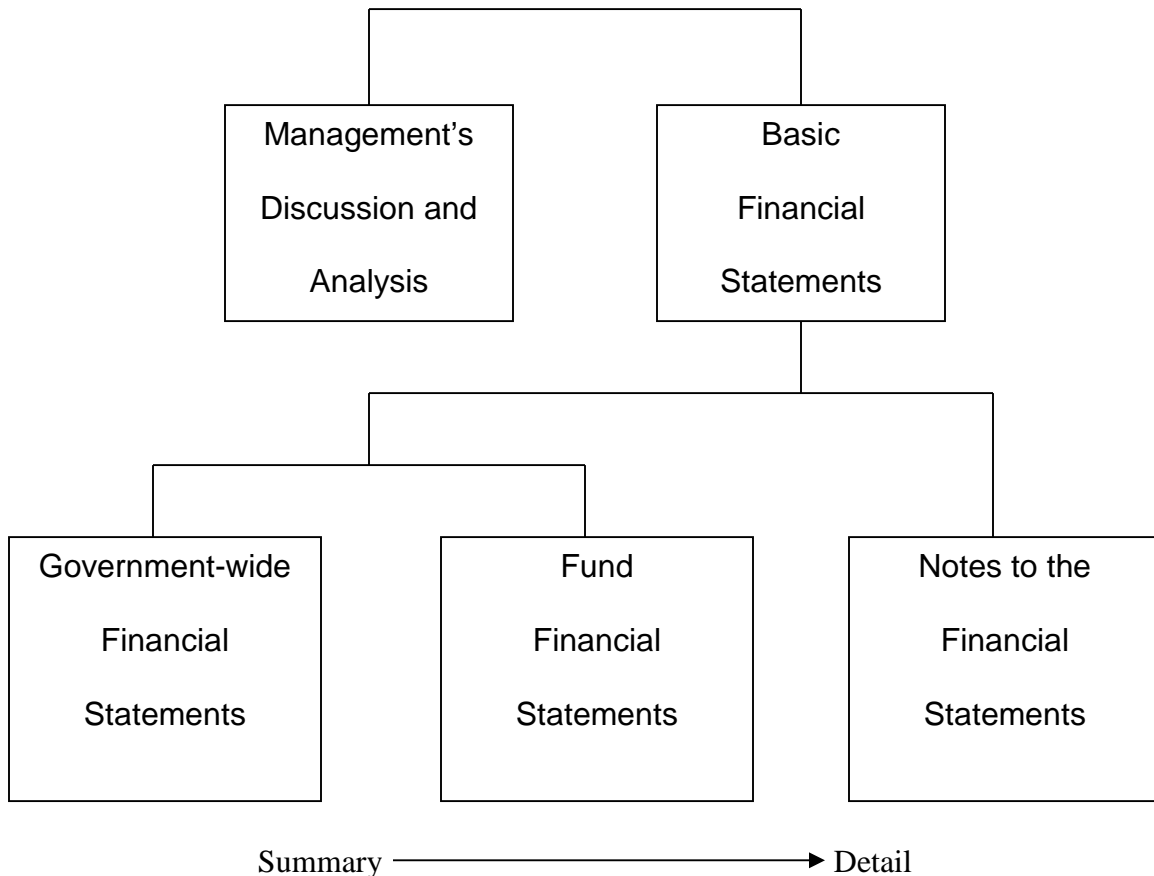
- The assets and deferred outflows of resources of the Town of Butner exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,682,900 (*net position*).
- The government's total net position increased by \$792,722, primarily due to diligent cost-saving measures.
- As of the close of the current fiscal year, the Town of Butner's governmental funds reported combined ending fund balances of \$8,133,147 with a net increase of \$348,593 in fund balance. Approximately 10.32% of this total amount, or \$839,116, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,383,135, or 90.78% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of 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 9) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 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 North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and local option sales tax revenue finance most of these activities. The business-type activities are those that the Town charges customers to provide. The stormwater oversight is provided by the Town of Butner.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 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.

Management Discussion and Analysis
Town of Butner

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.

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

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 30 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 54 of this report.

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

Government-Wide Financial Analysis

Town of Butner's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,510,096	\$ 8,343,374	\$ 769,139	\$ 598,079	\$ 9,279,235	\$ 8,941,453
Capital assets	26,647,399	26,524,989	-	-	26,647,399	26,524,989
Deferred outflows of resources	475,411	450,400	12,179	11,031	487,590	461,431
Total assets and deferred outflows of resources	35,632,906	35,318,763	781,318	609,110	36,414,224	35,466,442
Long-term liabilities outstanding	2,366,874	1,848,602	9,640	-	2,376,514	1,848,602
Other liabilities	227,918	736,236	4,349	13,138	232,267	749,374
Deferred inflows of resources	119,070	508,152	3,473	12,602	122,543	520,754
Total liabilities and deferred inflows of resources	2,713,862	3,092,990	17,462	25,740	2,731,324	3,118,730
Net position:						
Net investment in capital assets	25,047,399	24,624,989	-	-	25,047,399	24,624,989
Restricted	839,116	1,486,718	-	-	839,116	1,486,718
Unrestricted	7,032,529	6,114,066	763,856	583,370	7,796,385	6,697,436
Total net position	\$ 32,919,044	\$ 32,225,773	\$ 763,856	\$ 583,370	\$ 33,682,900	\$ 32,809,143

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 \$33,682,900 as of June 30, 2016. The Town's net position increased by \$792,722 for the fiscal year ended June 30, 2016. However, the largest portion (74.36%) 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 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, \$839,116, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,796,385 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.54%. The statewide average in fiscal year 2014 was 98.87%.
- Increased sales tax revenues of approximately \$76,798 due to economic growth in the Granville County.

Management Discussion and Analysis
Town of Butner

Town of Butner's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 981,131	\$ 1,103,067	\$ 340,163	\$ 365,275	\$ 1,321,294	\$ 1,468,342
Operating grants and contributions	771,216	772,986	-	-	771,216	772,986
Capital grants and contributions	120,173	121,869	-	-	120,173	121,869
General revenues:						
Property taxes	2,046,260	2,004,461	-	-	2,046,260	2,004,461
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	2,022,008	1,901,548	-	-	2,022,008	1,901,548
Other	152,378	7,389	-	-	152,378	7,389
Total revenues	<u>6,093,166</u>	<u>5,911,320</u>	<u>340,163</u>	<u>365,275</u>	<u>6,433,329</u>	<u>6,276,595</u>
Expenses:						
General government	1,378,065	1,659,989	-	-	1,378,065	1,659,989
Public safety	3,395,811	3,172,236	-	-	3,395,811	3,172,236
Transportation	144,535	-	-	-	144,535	-
Environmental protection	20,678	4,860	-	-	20,678	4,860
Economic and physical development	185,337	288,649	-	-	185,337	288,649
Cultural and recreation	723,733	197,528	-	-	723,733	197,528
Stormwater	-	-	159,677	174,230	159,677	174,230
Total expenses	<u>5,848,159</u>	<u>5,323,262</u>	<u>159,677</u>	<u>174,230</u>	<u>6,007,836</u>	<u>5,497,492</u>
Increase in net position before transfers	245,007	588,058	180,486	191,045	425,493	779,103
Transfers	-	-	-	-	-	-
Extraordinary item: Butner Public Safety Reimbursement	367,229	-	-	-	367,229	-
Increase in net position	<u>612,236</u>	<u>588,058</u>	<u>180,486</u>	<u>191,045</u>	<u>792,722</u>	<u>779,103</u>
Net position, beginning	32,225,773	31,637,715	583,370	392,325	32,809,143	32,030,040
Net position, beginning, restated	32,306,808	31,637,715	583,370	392,325	32,890,178	32,030,040
Net position, June 30	<u>\$ 32,919,044</u>	<u>\$ 32,225,773</u>	<u>\$ 763,856</u>	<u>\$ 583,370</u>	<u>\$ 33,682,900</u>	<u>\$ 32,809,143</u>

Governmental activities. Governmental activities increased the Town's net position by \$612,236 thereby accounting for 77.23% of the total growth in the net position of the Town of Butner. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections also contributed to the favorable net position.

Key elements of this increase are as follows:

- The Town received \$114,430 from the proceeds of the sale of timber harvest from town-owned property as part of its limber management program.
- \$367,229 was received from the North Carolina Department of Public Safety for a refund of overpayments that were due to the Butner Public Safety Authority (the Authority) when it was dissolved on June 30, 2013. The Town took over operations of the Authority on July 1, 2013. All assets, including receivables, became assets of the Town of Butner at that time.

Business-type activities. Business-type activities increased the Town of Butner's net position by \$180,486, accounting for 22.77% of the total growth in the government's net position.

Key elements of this increase are as follows:

- Due to challenges in regulations of the Falls Lake watershed area, stormwater management improvements that were budgeted to be implemented during the Fiscal Year were delayed. This decrease in expenditures was the primary reason for the increase in 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.

The general fund is the chief operating fund of the Town of Butner. At the end of the current fiscal year, Town of Butner's fund balance available in the General Fund was \$7,625,869, while total fund balance reached \$8,100,054. The Governing Body of Town of Butner has determined that the Town should maintain an available fund balance of 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 128.60% of general fund expenditures, and total fund balance represents 136.60% of the same amount.

At June 30, 2016, the governmental funds of Town of Butner reported a combined fund balance of \$8,133,147 with a net increase in fund balance of \$348,593. Included in this change in fund balance is an increase in fund balance in the Capital Projects Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts

Management Discussion and Analysis
Town of Butner

from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. .

There were several reasons the Town revised its budget throughout the year. The Town received some unrestricted intergovernmental funds that became available for distribution in 2016. Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Fund in General Government to account for unexpected expenditures.

Proprietary Funds. The Town of Butner’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Stormwater Fund at the end of the fiscal year amounted to \$763,856. The total change in net position for the Stormwater Fund was \$180,486. The change in net position in the Stormwater Fund is a result of a delay in the implementation of stormwater management upgrades as required by the Falls Lake Rules.

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, 2016, totals \$26,647,399 net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 14,516,596	\$ 14,515,596	\$ -	\$ -	\$ 14,516,596	\$ 14,515,596
Buildings and system	6,232,971	6,498,368	-	-	6,232,971	6,498,368
Improvements other than buildings	4,141,931	4,120,926	-	-	4,141,931	4,120,926
Equipment and furniture	229,050	394,372	-	-	229,050	394,372
Infrastructure	570,334	50,436	-	-	570,334	50,436
Vehicles and motorized equipment	598,434	723,281	-	-	598,434	723,281
Computer Software	19,023	40,304	-	-	19,023	40,304
Construction in progress	339,060	181,704	-	-	339,060	181,704
Total	\$ 26,647,399	\$ 26,524,987	\$ -	\$ -	\$ 26,647,399	\$ 26,524,987

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

Long-term Debt. As of June 30, 2016, the Town of Butner had no outstanding bonded debt.

Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment debt	\$ 1,600,000	\$ 1,900,000	\$ -	\$ -	\$ 1,600,000	\$ 1,900,000
General obligation bonds	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Compensated Absences	234,988	212,544	3,624	4,661	238,612	217,205
OPEB	259,126	248,602	-	-	259,126	248,602
Pension related debt (LGERS)	224,260	-	6,016	-	230,276	-
Pension related debt (LEO)	48,500	-	-	-	48,500	-
Total	\$ 2,366,874	\$ 2,361,146	\$ 9,640	\$ 4,661	\$ 2,376,514	\$ 2,365,807

Town of Butner’s Outstanding Debt

The Town of Butner’s total debt increased by \$10,707 (0.45%) during the past fiscal year, primarily due to an increase in the amount of potential liability from compensated absences and the reported liabilities from pension related debt and other post-employment benefits.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Butner is \$46,609,759. The Town has no bonds authorized but unissued at June 30, 2016.

Additional information regarding the Town of Butner’s long-term debt can be found in Note III.B.6 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

- Low unemployment. The Town of Butner unemployment rate of 4.1% is well below the State average of 5.9%.
- The establishment of new retail and restaurants in the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: Property taxes and local option sales tax collections are expected to lead the increase in budgeted revenue by 3.87%. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 12% to \$7,732,904. The largest increments are in employee compensation, including compensation and benefits adjustments and the purchase of a new fire truck.

The Town has appropriated \$1,642,804 of fund balance in the fiscal year 2017 budget. The Town is planning some major projects and the purchase of a fire truck in the upcoming year. As the Town considers future revenue sources, it has determined that a \$0.015 increase in the property tax rate will result in additional revenues of approximately \$79,500 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: The stormwater fees of the Town will not increase. General operating expenses will increase by 22.11% to cover the cost of planned stormwater management requirements.

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 Susan Hiscocks, Director of Finance, Town of Butner, PO Box 270 Butner, NC 27509. One can also call (919)-575-3033, visit our website www.butnernc.org or send an email to shiscocks@butnernc.org for more information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 8,214,846	\$ -	\$ 8,214,846
Restricted cash and investments	367,031	-	367,031
Accounts receivable	20	4,373	4,393
Taxes receivable	124,540	-	124,540
Accrued interest receivable on taxes	81,853	-	81,853
Due from other governments	486,572	-	486,572
Internal balances	(764,766)	764,766	-
Total current assets	<u>8,510,096</u>	<u>769,139</u>	<u>9,279,235</u>
Non-current assets			
Capital assets:			
Land and construction in progress	14,855,656	-	14,855,656
Other capital assets, net of depreciation	11,791,743	-	11,791,743
Total capital assets	<u>26,647,399</u>	<u>-</u>	<u>26,647,399</u>
Total assets	<u>35,157,495</u>	<u>769,139</u>	<u>35,926,634</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges – issuance costs	4,764	-	4,764
Pension deferrals	470,647	12,179	482,826
Total deferred outflows of resources	<u>475,411</u>	<u>12,179</u>	<u>487,590</u>

The notes to the financial statements are an integral part of this statement.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 167,057	\$ 3,349	\$ 170,406
Accrued interest payable	59,761	-	59,761
Customer deposits	1,100	1,000	2,100
Current portion of long-term liabilities	534,988	3,624	538,612
Total current liabilities	<u>762,906</u>	<u>7,973</u>	<u>770,879</u>
Long-term liabilities			
Due in more than one year	<u>1,831,886</u>	<u>6,016</u>	<u>1,837,902</u>
Total liabilities	<u>2,594,792</u>	<u>13,989</u>	<u>2,608,781</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid revenues	2,399	457	2,856
Pension deferrals	<u>116,671</u>	<u>3,016</u>	<u>119,687</u>
Total deferred inflows of resources	<u>119,070</u>	<u>3,473</u>	<u>122,543</u>
NET POSITION			
Net investment in capital assets	25,047,399	-	25,047,399
Restricted for:			
Stabilization by State Statute	474,185	-	474,185
Transportation (Powell Bill)	364,931	-	364,931
Unrestricted	<u>7,032,529</u>	<u>763,856</u>	<u>7,796,385</u>
Total net position	<u>\$ 32,919,044</u>	<u>\$ 763,856</u>	<u>\$ 33,682,900</u>

The notes to the financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 1,378,065	\$ 69,607	\$ 500,000	\$ -	\$ (808,458)	\$ -	\$ (808,458)
Public safety	3,395,811	782,629	88,211	-	(2,524,971)	-	(2,524,971)
Environmental protection	20,678	5,032	-	-	(15,646)	-	(15,646)
Economic and physical development	185,337	12,772	-	120,173	(52,392)	-	(52,392)
Cultural and recreational	723,733	111,091	-	-	(612,642)	-	(612,642)
Transportation	144,535	-	183,005	-	38,470	-	38,470
Total governmental activities	5,848,159	981,131	771,216	120,173	(3,975,639)	-	(3,975,639)
Business-type Activities:							
Stormwater	159,677	340,163	-	-	-	180,486	180,486
Total primary government	\$ 6,007,836	\$ 1,321,294	\$ 771,216	\$ 120,173	(3,975,639)	180,486	(3,795,153)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					2,046,260	-	2,046,260
Grants and contributions not restricted to specific programs					2,022,008	-	2,022,008
Unrestricted investment earnings					17,252	-	17,252
Other revenue					20,696	-	20,696
Special Item: Proceeds from sale of timber					114,430	-	114,430
Extraordinary Item: Butner Public Safety Reimbursement (Note II.E)					367,229	-	367,229
Total general revenues not including transfers					4,587,875	-	4,587,875
Transfers							
Total general revenues and transfers					4,587,875	-	4,587,875
Change in net position							
Net position, beginning, previously reported					32,225,773	583,370	32,809,143
Restatement (Note II.F)					81,035	-	81,035
Net position, beginning, restated					32,306,808	583,370	32,890,178
Net position, ending					\$ 32,919,044	\$ 763,856	\$ 33,682,900

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2016

	<u>MAJOR</u>	<u>NON-MAJOR</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 8,188,296	\$ 26,550	\$ 8,214,846
Restricted cash and investments	367,031	-	367,031
Accounts receivable	20	-	20
Taxes receivable	124,540	-	124,540
Due from other governments	473,665	12,907	486,572
Due from other funds	500	6,682	7,182
	<u>9,154,052</u>	<u>46,139</u>	<u>9,200,191</u>
Total assets	<u>\$ 9,154,052</u>	<u>\$ 46,139</u>	<u>\$ 9,200,191</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 154,511	\$ 12,546	\$ 167,057
Liabilities payable from restricted assets:			
Customer deposits	1,100	-	\$ 1,100
Due to other funds	771,448	500	771,948
Total liabilities	<u>927,059</u>	<u>13,046</u>	<u>940,105</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	124,540	-	124,540
Prepaid taxes	2,399	-	2,399
Total deferred inflows of resources	<u>126,939</u>	<u>-</u>	<u>126,939</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	474,185	-	474,185
Streets – Powell Bill	364,931	-	364,931
Committed:			
Capital projects	49,400	33,089	82,489
Grant projects	-	4	4
Public Safety - LEO Special Separation Allowance	225,353	-	225,353
General government	93,464	-	93,464
Cultural and recreational	77,146	-	77,146
Transportation	48,479	-	48,479
Assigned:			
Subsequent year's expenditures	1,383,961	-	1,383,961
Unassigned	<u>5,383,135</u>	<u>-</u>	<u>5,383,135</u>
Total fund balances	<u>8,100,054</u>	<u>33,093</u>	<u>8,133,147</u>
	<u>\$ 9,154,052</u>	<u>\$ 46,139</u>	<u>\$ 9,200,191</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,154,052</u>	<u>\$ 46,139</u>	<u>\$ 9,200,191</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BUTNER, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2016

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

Total Fund Balance, Governmental Funds	\$	8,133,147
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	30,041,161
Accumulated depreciation		<u>(3,393,762)</u>
		26,647,399
Deferred charges reported in governmental activities are not financial resources and therefore are not reported in the funds.		
Loan issuance costs		4,764
Deferred outflows of resources related to pensions are not reported in the funds		
		470,647
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest on taxes receivable		81,853
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		124,540
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt	(1,600,000)	
Compensated absences	(234,988)	
Other postemployment benefits	(259,126)	
Net pension obligation - LGERS	(224,260)	
Net pension obligation - LEOSA	<u>(48,500)</u>	(2,366,874)
Other long term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		(59,761)
Deferred inflows of resources related to pensions are not reported in the funds		
		<u>(116,671)</u>
Net position of governmental funds	\$	<u><u>32,919,044</u></u>

The notes to the financial statements are an integral part of this statement.

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

	<u>MAJOR</u>	<u>NON-MAJOR</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 2,037,659	\$ -	\$ 2,037,659
Unrestricted intergovernmental	3,397,379	-	3,397,379
Restricted intergovernmental	245,287	120,173	365,460
Permits and fees	45,021	-	45,021
Sales and services	87,352	-	87,352
Investment earnings	17,247	6	17,253
Other revenue	14,153	-	14,153
Total revenues	<u>5,844,098</u>	<u>120,179</u>	<u>5,964,277</u>
EXPENDITURES			
Current:			
General government	1,204,686	-	1,204,686
Public safety	3,281,569	-	3,281,569
Environmental protection	19,751	-	19,751
Economic and physical development	182,074	-	182,074
Culture and recreation	348,216	-	348,216
Transportation	534,201	-	534,201
Debt service:			
Principal	300,000	-	300,000
Interest and other charges	59,370	-	59,370
Capital outlay	-	186,760	186,760
Total expenditures	<u>5,929,867</u>	<u>186,760</u>	<u>6,116,627</u>
Excess (deficiency) of revenues over expenditures	<u>(85,769)</u>	<u>(66,581)</u>	<u>(152,350)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	4,000	-	4,000
Insurance proceeds	15,284	-	15,284
Transfers (to) other funds	(85,682)	85,682	-
Total other financing sources (uses)	<u>(66,398)</u>	<u>85,682</u>	<u>19,284</u>
SPECIAL AND EXTRAORDINARY ITEMS			
Proceeds from sale of timber	114,430	-	114,430
Public Safety Reimbursement (Note II.E)	367,229	-	367,229
Total special and extraordinary items	<u>481,659</u>	<u>-</u>	<u>481,659</u>
Net change in fund balance	329,492	19,101	348,593
FUND BALANCES, beginning	<u>7,770,562</u>	<u>13,992</u>	<u>7,784,554</u>
FUND BALANCES, ending	<u>\$ 8,100,054</u>	<u>\$ 33,093</u>	<u>\$ 8,133,147</u>

The notes to the financial statements are an integral part of this statement.

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

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

Net changes in fund balances - total governmental funds	\$	348,593
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	918,089	
Depreciation expense for governmental assets	(863,289)	
Cost basis of assets sold	<u>(13,425)</u>	41,375

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		190,474
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(9,916)	
Change in accrued interest on taxes receivable	<u>18,517</u>	8,601

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

Principal payments on long-term debt	300,000	
Amortization expense for debt issuance costs	(940)	
Decrease in accrued interest payable	<u>11,398</u>	310,458

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

Compensated absences	(22,444)	
Pension expense - LGERS	(205,797)	
Pension expense - LEOSSA	(48,500)	
Other postemployment benefits	<u>(10,524)</u>	<u>(287,265)</u>

Total adjustments		<u>263,643</u>
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Total changes in net position of governmental activities	\$	<u>612,236</u>
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TOWN OF BUTNER, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,968,687	\$ 1,969,077	\$ 2,037,659	\$ 68,582
Unrestricted intergovernmental	3,331,359	3,338,557	3,397,379	58,822
Restricted intergovernmental	222,412	222,412	245,287	22,875
Permits and fees	10,390	10,390	45,021	34,631
Sales and services	122,750	122,750	87,352	(35,398)
Investment earnings	665	16,665	17,247	582
Other revenue	19,000	28,000	14,153	(13,847)
Total revenues	<u>5,675,263</u>	<u>5,707,851</u>	<u>5,844,098</u>	<u>136,247</u>
EXPENDITURES				
Current:				
General government	1,266,091	1,323,653	1,204,686	118,967
Public safety	3,314,290	3,496,629	3,281,569	215,060
Environmental protection	13,000	32,500	19,751	12,749
Economic and physical development	281,783	296,778	182,074	114,704
Culture and recreation	530,411	534,183	348,216	185,967
Transportation	673,150	793,150	534,201	258,949
Debt service:				
Principal	300,000	300,000	300,000	-
Interest and other charges	76,890	76,890	59,370	17,520
Total expenditures	<u>6,455,615</u>	<u>6,853,783</u>	<u>5,929,867</u>	<u>923,916</u>
Excess (deficiency) of revenues over expenditures	<u>(780,352)</u>	<u>(1,145,932)</u>	<u>(85,769)</u>	<u>1,060,163</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	159,000	179,000	4,000	(175,000)
Insurance proceeds	-	8,892	15,284	6,392
Transfers (to) other funds	-	(79,000)	(85,682)	(6,682)
Total other financing sources (uses)	<u>159,000</u>	<u>108,892</u>	<u>(66,398)</u>	<u>(175,290)</u>
SPECIAL AND EXTRAORDINARY ITEMS				
Proceeds from sale of timber	-	-	114,430	114,430
Public Safety Reimbursement (Note II.E)	-	-	367,229	367,229
Total special and extraordinary items	<u>-</u>	<u>-</u>	<u>481,659</u>	<u>481,659</u>
Fund balance appropriated	<u>621,352</u>	<u>1,037,040</u>	<u>-</u>	<u>(1,037,040)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>329,492</u>	<u>\$ 329,492</u>
FUND BALANCES, beginning			<u>7,770,562</u>	
FUND BALANCES, ending			<u>\$ 8,100,054</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF BUTNER, NORTH CAROLNA
Statement of Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>
	<u>Stormwater Fund</u>
ASSETS	
Current assets	
Accounts receivable	\$ 4,373
Due from other funds	<u>764,766</u>
Total assets	<u>769,139</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>12,179</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	3,349
Customer deposits	1,000
Compensated absences	<u>3,624</u>
Total current liabilities	<u>7,973</u>
Long-term liabilities	
Net pension liability	<u>6,016</u>
Total liabilities	<u>13,989</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid fees	457
Pension deferrals	<u>3,016</u>
Total deferred inflows of resources	<u>3,473</u>
NET POSITION	
Unrestricted	<u>763,856</u>
Total net position	<u>\$ 763,856</u>

The notes to the financial statements are an integral part of this statement.

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

	<u>Major Enterprise Fund</u>
	<u>Stormwater Fund</u>
OPERATING REVENUES	
Stormwater fees	\$ 371,464
Stormwater fee releases	<u>(31,301)</u>
Total operating revenues	<u>340,163</u>
OPERATING EXPENSES	
Administration	80,931
Operating	<u>78,746</u>
Total operating expenditures	<u>159,677</u>
Operating income (loss)	<u>180,486</u>
Change in net position	180,486
Total net position, beginning	<u>583,370</u>
Total net position, ending	<u><u>\$ 763,856</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BUTNER, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>
	<u>Stormwater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 370,414
Cash paid for goods and services	(67,556)
Cash paid to or on behalf of employees for services	<u>(96,476)</u>
Net cash provided (used) by operating activities	<u>206,382</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due from other funds	(202,062)
Decrease in due to other funds	<u>(4,320)</u>
Net cash provided (used) by noncapital financing activities	<u>(206,382)</u>
Net increase (decrease) in cash and cash equivalents	-
Balances, beginning	<u>-</u>
Balances, ending	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 180,486
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	30,151
(Increase) decrease in net pension asset	5,171
(Increase) decrease in deferred outflows of resources - pension	(1,148)
Increase (decrease) in net pension liability	6,016
Increase (decrease) in deferred inflows of resources - pension	(9,586)
Increase (decrease) in deferred inflows of resources - prepaid fees	457
Increase (decrease) in accounts payable and accrued liabilities	1,762
Increase (decrease) in compensated absences	(1,037)
Increase (decrease) in customer deposits	<u>(5,890)</u>
Total adjustments	<u>25,896</u>
Net cash provided by operating activities	<u><u>\$ 206,382</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

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

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

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

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

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 various 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, 2016

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 CDBG Grant 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, the Lake Holt Boat Dock Project Fund, and the Lyon Station Greenway Extension I Project Fund are capital project funds.

The Town reports the following major enterprise fund.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town 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.

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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 September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Granville County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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.

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).

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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

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. 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. Unexpended grant revenues in the Grant Projects and Capital Projects Funds are classified as restricted when the use of such funds is subject to external restriction.

Town of Butner Restricted Cash

Governmental Activities

General Fund

Transportation (Powell Bill)	\$ 364,931
Customer deposits	1,100
Customer deposits (due to Stormwater Fund)	<u>1,000</u>

Total restricted cash \$ 367,031

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2015. 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.

5. 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. The Town reports no such prepaid expenses in the current fiscal year.

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

TOWN OF BUTNER, NORTH CAROLINA
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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. The Town has several items that meet this criterion: deferred charges on debt issuance, and pension related deferrals, including contributions made to the pension plan in the current fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for the category: prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

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

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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.

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.

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Projects – portion of the fund balance committed by the Town Council for capital project expenditures. Fund balance of \$33,088 and \$49,401 is committed for the Central Sidewalk Phase II and Lyon Station Greenway Extension I capital projects, respectively.

Committed for Grant Projects – portion of the fund balance committed by the Town Council for grant project expenditures. Fund balance of \$4 is committed for the CDBG grant project.

Committed for Public Safety - Leo Special Separation Allowance – portion of the fund balance committed by the Town Council for the purpose of Law Enforcement Officers’ Special Separation Allowance (LEOSSA) contributions.

Committed for General Government – portion of fund balance that is committed for the future establishment of a community center for the citizens of the Town.

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Committed for Cultural and Recreational – portion of the fund balance that is committed for the establishment of a museum about the history of the Town and Camp Butner.

Committed for Transportation – portion of the fund balance that is committed for street repair and maintenance expenditures.

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.

The governing body of the Town of Butner has determined that the Town should maintain an available fund balance of 30% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town.

11. Pensions

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

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

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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. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$1,223,899 and a bank balance of \$1,284,850. 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, 2016, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2016, the Town of Butner had \$7,357,678 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 – Due from Other Governments

Due from other governments that is owned to the Town consists of the following:

Governmental activities

General Fund

Tax collection remittances	\$ 20,933
ABC profit distributions	21,721
Local option sales tax	251,533
Utility tax distributions	110,233
Solid waste tax	1,246
Sales tax refund	20,497
DHHS Fire protection services	<u>47,502</u>
Total: General Fund	<u>473,665</u>

Non-major funds

Grants receivable	12,546
Sales tax refund	<u>361</u>
Total: Non-major funds	<u>12,907</u>

Total due from other governments \$ 486,572

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4. Capital Assets

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

	Beginning Balances <u>(As Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balances
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 14,516,596	\$ -	\$ -	\$ 14,516,596
Construction in progress	<u>181,704</u>	<u>186,760</u>	<u>29,404</u>	<u>339,060</u>
Total capital assets not being depreciated	14,698,300	186,760	29,404	14,855,656
Capital assets being depreciated:				
Improvements	4,718,957	89,721	-	4,808,678
Buildings	7,569,148	9,914	-	7,579,062
Infrastructure	59,337	524,267	-	583,604
Equipment	548,340	43,913	-	592,253
Computer software	214,396	-	-	214,396
Vehicles	<u>1,336,364</u>	<u>92,918</u>	<u>21,770</u>	<u>1,407,512</u>
Total capital assets being depreciated	14,446,542	760,733	21,770	15,185,505
Less accumulated depreciation for:				
Improvements	335,818	330,929	-	666,747
Buildings	1,125,676	220,415	-	1,346,091
Infrastructure	6,923	6,347	-	13,270
Equipment	311,117	52,086	-	363,203
Computer software	174,092	21,281	-	195,373
Vehicles	<u>585,192</u>	<u>232,231</u>	<u>8,345</u>	<u>809,078</u>
Total accumulated depreciation	2,538,818	863,289	8,345	3,393,762
Total capital assets being depreciated, net	<u>11,907,724</u>			<u>11,791,743</u>
Governmental activity capital assets, net	<u>\$ 26,606,024</u>			<u>\$ 26,647,399</u>

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

General Government	\$ 141,111
Public Safety	251,596
Cultural & Recreation	384,460
Transportation	<u>86,122</u>
Total depreciation expense	<u>\$ 863,289</u>

Construction Commitments

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

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Special Revenue Fund - CDBG Grant		
HagerSmith Design PA		
Project ID 500-067-000	\$ 6,000	\$ 9,575

TOWN OF BUTNER, NORTH CAROLINA
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B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

i. *Plan Description*

The Town of Butner is a participating employer the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local 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, or at www.osc.nc.gov.

ii. *Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

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iii. Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Butner employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Butner's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.86% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Butner were \$195,410 for the year ended June 30, 2015.

iv. Refunds of Contributions

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

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

At June 30, 2016, the Town reported a liability of \$230,276 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.051%, which was an increase of 0.015% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$211,187. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 54,128
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	65,559
Changes in proportion and differences between Town contributions and proportionate share of contributions	287,416	-
Town contributions subsequent to the measurement date	<u>195,410</u>	<u>-</u>
Total	<u>\$ 482,826</u>	<u>\$ 119,687</u>

\$195,410 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as decrease of the net pension liability in the year ended June 30, 2017.

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Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	13,534
2018		13,534
2019		12,941
2020		127,720
2021		-
Thereafter		-
		<u>\$ 167,729</u>

vi. *Actuarial Assumptions.*

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

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

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

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

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

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

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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

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

vii. Discount rate.

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,605,747	\$ 230,276	\$ (928,528)

ix. Pension plan fiduciary net position.

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

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b. Law Enforcement Officers Special Separation Allowance

i. *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, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>32</u>
Total	<u><u>32</u></u>

A separate report was not issued for the plan.

ii. *Summary of Significant Accounting Policies*

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

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

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

iii. *Contributions*

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% - 7.35% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was 15 years.

iv. Annual Pension Cost and Net Pension Obligation

The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 48,500
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	48,500
Contributions made	-
Increase (decrease) in net pension obligation	48,500
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ 48,500

Assets reserved to pay benefits are reported as assigned fund balance in the General Fund. Benefit payments reduce the net pension obligation.

v. Funded Status and Funding Progress

3 Year Trend Information			
For year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 48,500	154.64%	\$ -
2015	49,866	150.40%	-
2016	48,500	0%	48,500

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$158,195, resulting in an unfunded actuarial accrued liability (UAAL) of \$158,195. The covered payroll (annual payroll of active employees covered by the plan) was \$1,845,648, and the ratio of the UAAL to the covered payroll was 8.57%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decrease over time relative to the actuarial accrued liability for benefits.

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. Article 12E of G.S Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

immediately. The Town additionally provides 401(k) benefits for its full and part-time general employees at a percentage of salary as designated by the Town Council. General and law enforcement employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$222,042 which consisted of \$137,931 from the Town and \$84,112 from general employees and law enforcement officers.

d. Other Post-employment Benefits: Healthcare Benefit

i. *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. 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 Council may amend the benefit provisions. A separate report was not issued for the plan.

The Town will contribute the complete cost of coverage for eligible retiree Medical and Prescription Drug coverage. Eligible retirees participate in the Town's health plan administered by Blue Cross Blue Shield until eligible for Medicare, at which point the Town will cover the cost of a BCBS Plan F Medicare supplement with Part D prescription drug coverage. Additionally, the Town offers a deductible reimbursement program for such retirees until eligible for Medicare. The retiree is responsible for the first \$1,000 of in-network expenses, at which point the town will reimburse up to the remaining \$4,000.

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

General Employees:	
Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>2</u>
Total	<u><u>3</u></u>

ii. *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 Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 18.2% of annual covered payroll. For the current year, the Town contributed \$13,144, or 7.64% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's obligation to contribution the Plan is established and may be amended by the Town Council.

iii. *Summary of Significant Accounting Policies.*

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

iv. Annual OPEB Cost and Net OPEB Obligation.

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

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

Annual Required Contribution	\$ 31,313
Interest on net OPEB obligation	9,944
Adjustment to annual required contribution	<u>(17,589)</u>
Annual OPEB Cost (Expense)	23,668
Contributions made	<u>(13,144)</u>
Increase (decrease) in net OPEB obligation	10,524
Net OPEB obligation, beginning of year	<u>248,602</u>
Net OPEB obligation, end of year	<u>\$ 259,126</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, 2016 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$23,668	55.5%	\$259,126
2015	\$20,089	0.00%	\$248,602
2014	\$24,673	0.00%	\$228,513

v. Funded Status and Funding Process.

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$319,080. all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$172,148, and the ratio of the unfunded accrued liability to the covered payroll was 185 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

vi. Actuarial Methods and Assumptions.

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

TOWN OF BUTNER, NORTH CAROLINA
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June 30, 2016

In the December 31, 2015 actuarial valuation, the Entry Age Normal, Level Percentage of Pay actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return, which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption, and reflects the fact that no assets are set aside within the Town that are legally held exclusively for retiree health benefits. The actuarial value of assets, if any, was determined using the Market Value of Assets valuation method. The UAAL is being amortized on the Level Dollar Amount, Closed amortization method. The remaining amortization period at December 31, 2015 was 20 years.

2. Pension 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 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. 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. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Government-wide:	
Deferred charges – issuance costs	\$ 4,764
LGERS – Contributions to pension plan in current fiscal year	287,416
LGERS – Changes in proportion and differences between Town contributions and proportionate share of contributions	195,410
Total Deferred Outflows	\$ 487,590

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

Government-wide:	
Prepaid revenues	\$ 2,856
LGERS – Differences between expected and actual experience	54,128
LGERS – Net difference between projected and actual earnings on pension plan investments	65,559
General Fund:	
Property taxes receivable	124,540
Total Deferred Outflows	\$ 247,083

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities.

Through these pools, the Town obtains liability coverages as follows:

	<u>Occurrence Limit</u>	<u>Aggregate Limit</u>
Commercial general liability	\$ 3,000,000	\$ N/A
Employee benefits liability	1,000,000	1,000,000
Public officials liability	1,000,000	3,000,000
Employment practices liability	1,000,000	3,000,000
Police professional liability	1,000,000	3,000,000
Auto liability	3,000,000	N/A
Inland marine coverage (varies by category)	150,000 - 428,493	N/A
Building and personal property (blanket)	11,278,505	N/A

The pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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 \$10,000.

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

5. Claims, Judgments and Contingent Liabilities

During the year ended June 30, 2016, 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.

6. 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. Under the terms of the Build America Bonds program, the Town is eligible for a credit of 35 percent of the annual interest payment. As a result

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

of federal budget sequestration, the credit received by the Town during the fiscal year ended June 30, 2016 was reduced by 7.3 percent, for an effective interest rate paid of 3.04 percent.

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 purchases as of June 30, 2016, including \$203,670 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 300,000	\$ 64,620
2018	300,000	52,350
2019	300,000	40,080
2020	300,000	27,810
2021-2022	400,000	18,810
Total	<u>\$ 1,600,000</u>	<u>\$ 203,670</u>

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Installment Purchases	\$ 1,900,000	\$ -	\$ 300,000	\$ 1,600,000	\$ 300,000
Compensated Absences	212,544	22,444	-	234,988	234,988
Other Postemployment Benefits	248,602	10,524	-	259,126	-
Net pension liability– LGERS	-	224,260	-	224,260	-
LEOSSA	-	48,500	-	48,500	-
Governmental Activity Long-term Liabilities	<u>\$ 2,361,146</u>	<u>\$ 359,921</u>	<u>\$ 300,000</u>	<u>\$ 2,366,874</u>	<u>\$ 534,988</u>
Business-type Activities:					
Compensated Absences	\$ 4,661	\$ -	\$ 1,037	\$ 3,624	\$ 3,624
Net pension liability – LGERS	-	6,016	-	6,016	-
Business-type Activity Long-term Liabilities	<u>\$ 4,661</u>	<u>\$ 6,016</u>	<u>\$ 1,037</u>	<u>\$ 9,640</u>	<u>\$ 3,624</u>

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

C. Interfund Balances and Activity

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

Due from the General Fund:	
Capital Project Funds:	
Central Sidewalk Phase II Fund	\$ 6,682
Proprietary Fund:	
Stormwater	<u>764,766</u>
Total due from the General Fund	<u>771,448</u>
Due to the General Fund:	
Special Revenue Funds:	
CDBG Grant Fund	<u>500</u>
Net amount due from the General Fund	<u>\$ 770,948</u>

The interfund balances between the General Fund, Capital Project Funds, and Special Revenue Funds resulted primarily from timing lags between the dates that project expenditures are incurred and cost reimbursement funding is available. The interfund balances between the General Fund and the Stormwater Fund resulted from the Town's utilization of its general operating cash account for all activities in the Stormwater Fund.

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

From the General Fund to the Central Sidewalk Phase II Capital Project Fund	<u>\$ 79,000</u>
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Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, include amounts provided for as matching funds for various grant programs. During the 2016 fiscal year, the Town made a one-time transfer from the General Fund of \$79,000 to the Central Sidewalk Phase II Capital Project Fund to increase local funding for the project in accordance with an amended capital project ordinance.

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>\$ 8,100,054</u>
Less:	
Stabilization by State Statute	474,185
Streets – Powell Bill	364,931
Capital Projects	49,400
Public Safety	225,353
General Government	93,464
Culture and Recreational	77,146
Transportation	48,479
Appropriated fund balance in 2016 budget	<u>1,383,961</u>
Remaining Fund Balance	<u>\$ 5,383,135</u>

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

E. Extraordinary Item: Butner Public Safety Authority Reimbursement

On July 1, 2013, the Town acquired Butner Public Safety Authority as a result of the dissolution of the Authority by the State Legislature. Prior to this merger, the Town and the State of North Carolina were each obligated by state law to provide funding to the Authority, allocated in each fiscal year by the ratio of time spent providing fire and police protection within and outside the corporate limits of the Town of Butner. On August 13, 2015, the Town received from the North Carolina Department of Public Safety a final payment of \$367,228.85 as reimbursement for monies received but not expended for personnel services.

F. Prior Period Adjustment

During the fiscal year ended June 30, 2016, it was noted that the balances of Governmental Activities capital assets had been incorrectly reported in prior periods. An adjustment was made to increase land by \$1,000, to increase improvements by \$59,311, and to reduce accumulated depreciation by \$20,726. The effect of such adjustments caused the beginning governmental net position to be increased by \$81,037.

Additionally, the beginning balances of cost basis and accumulated depreciation were reclassified between the categories of improvements, equipment, and vehicles, to conform to the Town's current year presentation. There was no effect to net position as a result of such reclassifications.

III. 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, 2016.

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

TOWN OF BUTNER, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2016

ENFORCEMENT AGENCIES AND ASSISTANCE TO THE STATE LAW ENFORCEMENT AGENCIES”, the General Assembly of North Carolina enacted that South Granville 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, 2016 was \$500,000.

IV. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Town has evaluated events and transactions that occurred between June 30, 2016, and December 12, 2016, 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)
6/30/2014	\$ -	\$ 292,875	\$ 292,875	0.00%	\$ 184,976	158.33%
6/30/2015	-	266,212	266,212	0.00%	157,337	169.20%
12/31/2015	-	319,080	319,080	0.00%	172,148	185.35%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2014	\$ 24,667	0.0%	\$ -
2015	20,089	0.0%	-
2016	31,313	42.0%	13,144

Notes to the Required Schedules

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

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal, Level Percentage of Pay
Amortization method	Level Dollar Amount, Closed
Remaining amortization period:	20 Years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75 - 5.00%
*Includes inflation	3.00%

TOWN OF BUTNER, NORTH CAROLINA
Local Government Employees' Retirement System
Required Supplementary Information
Last Three Fiscal Years*

Schedule of the Proportionate Share of Net Pension Liability (Asset)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Butner's proportion of the net pension liability (asset) (%)	0.05131%	0.03623%	0.00980%
Butner's proportion of the net pension liability (asset) (\$)	\$ 230,276	\$ (213,665)	\$ 118,128
Butner's covered-employee payroll	\$ 2,522,162	\$ 2,183,759	\$ 574,263
Butner's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.13%	-9.78%	20.57%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

Schedule of Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 195,410	\$ 186,111	\$ 156,854
Contributions in relation to the contractually required contribution	<u>195,410</u>	<u>186,111</u>	<u>156,854</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Butner's covered-employee payroll	\$ 2,775,110	\$ 2,522,162	\$ 2,183,759
Contributions as a percentage of covered-employee payroll	7.04%	7.38%	7.18%

TOWN OF BUTNER, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2015	\$ -	\$ 158,195	\$ 158,195	0.00%	\$ 1,845,648	8.57%

Notes to the Required Schedule

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

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period:	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	7.35% - 3.5%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES				
Ad valorem taxes				
Current year	\$ 1,938,877	\$ 2,010,041	\$ 71,164	\$ 1,978,353
Prior years	19,200	18,170	(1,030)	47,324
Penalties and interest	11,000	9,448	(1,552)	14,494
Total	<u>1,969,077</u>	<u>2,037,659</u>	<u>68,582</u>	<u>2,040,171</u>
Unrestricted intergovernmental				
ABC profit distribution	36,500	39,459	2,959	36,370
Local option sales tax	1,417,235	1,452,434	35,199	1,375,636
Utilities sales distributions	476,051	495,961	19,910	452,684
Fire Protection Funding	155,346	154,557	(789)	177,814
DHHS Public Safety Service Contract	713,656	715,782	2,126	711,748
Contract for SGWASA	500,000	500,000	-	500,000
Solid Waste tax	5,086	5,032	(54)	4,987
Beer and wine tax	34,683	34,154	(529)	36,858
Total	<u>3,338,557</u>	<u>3,397,379</u>	<u>58,822</u>	<u>3,296,097</u>
Restricted intergovernmental				
Granville Co. Recreation Funding	40,000	61,598	21,598	36,598
State grant income	182,162	183,005	843	183,643
Asset forfeiture fees	250	684	434	-
Local grant income	-	-	-	345
Total	<u>222,412</u>	<u>245,287</u>	<u>22,875</u>	<u>220,586</u>
Permits and fees				
Court facilities fees	1,200	501	(699)	1,251
Business license fees	160	-	(160)	116,680
Other fees	9,030	44,520	35,490	46,578
Total	<u>10,390</u>	<u>45,021</u>	<u>34,631</u>	<u>164,509</u>
Sales and services				
Rental	122,750	87,352	(35,398)	96,409
Investment earnings				
General Fund	16,600	16,386	(214)	1,388
Powell Bill interest	65	861	796	124
Total	<u>16,665</u>	<u>17,247</u>	<u>582</u>	<u>1,512</u>
Other revenues				
Miscellaneous	28,000	14,153	(13,847)	9,315
Total	<u>28,000</u>	<u>14,153</u>	<u>(13,847)</u>	<u>9,315</u>
Total revenues	<u>5,707,851</u>	<u>5,844,098</u>	<u>136,247</u>	<u>5,828,599</u>

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
EXPENDITURES				
General Government				
Governing Body				
Salaries and employee benefits	\$ 41,036	\$ 42,114	\$ (1,078)	\$ 41,041
Ad valorem collection fee	32,588	31,582	1,006	49,201
Other operating expenditures	<u>60,917</u>	<u>56,427</u>	<u>4,490</u>	<u>41,988</u>
Total Governing Body	<u>134,541</u>	<u>130,123</u>	<u>4,418</u>	<u>132,230</u>
Executive Department				
Salaries and employee benefits	307,233	297,139	10,094	288,441
Other operating expenditures	<u>46,300</u>	<u>34,792</u>	<u>11,508</u>	<u>34,927</u>
Total Executive Department	<u>353,533</u>	<u>331,931</u>	<u>21,602</u>	<u>323,368</u>
Finance Department				
Salaries and employee benefits	153,704	151,352	2,352	135,307
Other operating expenditures	<u>16,160</u>	<u>11,125</u>	<u>5,035</u>	<u>11,663</u>
Total Finance Department	<u>169,864</u>	<u>162,477</u>	<u>7,387</u>	<u>146,970</u>
Legal Department				
Salaries and employee benefits	11,646	11,646	-	11,650
Other operating expenditures	<u>66,000</u>	<u>64,069</u>	<u>1,931</u>	<u>48,177</u>
Total Legal Department	<u>77,646</u>	<u>75,715</u>	<u>1,931</u>	<u>59,827</u>
Public Works Facility				
Salaries and employee benefits	270,875	255,116	15,759	287,296
Other operating expenditures	46,150	27,067	19,083	75,603
Repairs and maintenance	<u>29,500</u>	<u>21,104</u>	<u>8,396</u>	<u>26,425</u>
Total Public Works Facility	<u>346,525</u>	<u>303,287</u>	<u>43,238</u>	<u>389,324</u>
EMS Building				
Other operating expenditures	2,300	1,109	1,191	1,113
Repairs and maintenance	<u>1,000</u>	<u>512</u>	<u>488</u>	<u>-</u>
Total EMS Building	<u>3,300</u>	<u>1,621</u>	<u>1,679</u>	<u>1,113</u>
Christmas Decorations				
Other operating expenditures	<u>8,300</u>	<u>7,070</u>	<u>1,230</u>	<u>6,379</u>

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Non-departmental				
Insurance	\$ 89,400	\$ 91,139	\$ (1,739)	\$ 73,538
Landscape and beautification	2,000	248	1,752	-
Capital outlay	-	-	-	43,359
Capital outlay, non-depreciable	-	-	-	380,130
Other operating expenditures	61,960	24,557	37,403	-
Miscellaneous	13,484	21,716	(8,232)	20,663
Total Non-departmental	<u>166,844</u>	<u>137,660</u>	<u>29,184</u>	<u>517,690</u>
Town Hall				
Repairs and maintenance	15,400	14,716	684	-
Other operating expenditures	47,700	40,086	7,614	47,969
Total Town Hall	<u>63,100</u>	<u>54,802</u>	<u>8,298</u>	<u>47,969</u>
Total General Government	<u>1,323,653</u>	<u>1,204,686</u>	<u>118,967</u>	<u>1,624,870</u>
Public safety				
Salaries and employee benefits	2,805,937	2,684,995	120,942	2,549,038
Other operating expenditures	411,300	344,253	67,047	332,212
Repairs and maintenance	39,392	63,484	(24,092)	-
Capital outlay	240,000	188,837	51,163	165,264
Total Public safety	<u>3,496,629</u>	<u>3,281,569</u>	<u>215,060</u>	<u>3,046,514</u>
Environmental Protection				
Operating expenditures	<u>32,500</u>	<u>19,751</u>	<u>12,749</u>	<u>4,860</u>
Economic and Physical Development				
Salaries and employee benefits	126,328	117,559	8,769	108,806
Other operating expenditures	170,450	64,515	105,935	181,048
Total Economic and Physical Dev.	<u>296,778</u>	<u>182,074</u>	<u>114,704</u>	<u>289,854</u>
Cultural and Recreation				
Non-departmental				
Salaries and employee benefits	56,968	52,289	4,679	-
Other operating expenditures	5,200	1,544	3,656	11,641
Capital outlay	49,400	-	49,400	10,696
Total Non-departmental	<u>111,568</u>	<u>53,833</u>	<u>57,735</u>	<u>22,337</u>
Gazebo Park				
Other operating expenditures	7,500	4,526	2,974	4,681
Repairs and maintenance	6,000	2,517	3,483	8,568
Capital outlay	-	-	-	70,059
Total Gazebo Park	<u>13,500</u>	<u>7,043</u>	<u>6,457</u>	<u>83,308</u>

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Sports Arena				
Operating expenditures	\$ 28,700	\$ 20,796	\$ 7,904	\$ 22,685
Repairs and maintenance	32,450	24,011	8,439	10,170
Total Sports Arena	<u>61,150</u>	<u>44,807</u>	<u>16,343</u>	<u>32,855</u>
Lake Holt				
Other operating expenditures	1,000	540	460	577
Repairs and maintenance	100,900	41,450	59,450	451
Total Lake Holt	<u>101,900</u>	<u>41,990</u>	<u>59,910</u>	<u>1,028</u>
Butner Athletic Park				
Salaries and employee benefits	56,965	46,400	10,565	36,853
Other operating expenditures	90,000	84,540	5,460	75,894
Repairs and maintenance	48,000	29,369	18,631	47,385
Capital outlay	30,000	26,904	3,096	-
Total Butner Athletic Park	<u>224,965</u>	<u>187,213</u>	<u>37,752</u>	<u>160,132</u>
D Street Ball Field				
Other operating expenditures	2,300	1,882	418	2,609
Repairs and maintenance	5,000	1,103	3,897	10,438
Total D Street Ball Field	<u>7,300</u>	<u>2,985</u>	<u>4,315</u>	<u>13,047</u>
Community Events				
Operating expenses	13,800	10,345	3,455	-
Total Culture and Recreation	<u>534,183</u>	<u>348,216</u>	<u>185,967</u>	<u>312,707</u>
Transportation				
Other operating expenditures	63,000	58,413	4,587	-
Repairs and maintenance	10,150	-	10,150	-
Capital outlay	720,000	475,788	244,212	-
Total Transportation	<u>793,150</u>	<u>534,201</u>	<u>258,949</u>	<u>-</u>
Debt Service				
Principal retirement	300,000	300,000	-	300,000
Interest and other charges	76,890	59,370	17,520	68,720
Total Debt Service	<u>376,890</u>	<u>359,370</u>	<u>17,520</u>	<u>368,720</u>
Total Expenditures	<u>6,853,783</u>	<u>5,929,867</u>	<u>923,916</u>	<u>5,647,525</u>
Excess of revenues over (under) expenditures	<u>(1,145,932)</u>	<u>(85,769)</u>	<u>1,060,163</u>	<u>181,074</u>

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	\$ 179,000	\$ 4,000	\$ (175,000)	\$ 38,854
Insurance proceeds	8,892	15,284	6,392	16,860
Transfers (to) from capital project funds	<u>(79,000)</u>	<u>(85,682)</u>	<u>(6,682)</u>	<u>215,883</u>
Total other financing sources	<u>108,892</u>	<u>(66,398)</u>	<u>(175,290)</u>	<u>271,597</u>
SPECIAL AND EXTRAORDINARY ITEMS				
Proceeds from sale of timber	-	114,430	114,430	-
Public Safety reimbursement (Note II.E)	<u>-</u>	<u>367,229</u>	<u>367,229</u>	<u>-</u>
Total special and extraordinary items	<u>-</u>	<u>481,659</u>	<u>481,659</u>	<u>-</u>
Excess of revenues, other financing sources, and special and extraordinary items over (under) expenditures	<u>(1,037,040)</u>	<u>329,492</u>	<u>1,366,532</u>	<u>452,671</u>
Fund balance appropriated	<u>1,037,040</u>	<u>-</u>	<u>(1,037,040)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>329,492</u>	<u>\$ 329,492</u>	<u>452,671</u>
FUND BALANCE – Beginning		<u>7,770,562</u>		<u>7,317,891</u>
FUND BALANCE – Ending		<u>\$ 8,100,054</u>		<u>\$ 7,770,562</u>

TOWN OF BUTNER, NORTH CAROLINA
Combining Balance Sheet — Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Special Revenue Fund			Capital Project Fund				Total Non-Major Governmental Funds	
	Greenway Construction	Safe Routes to School Sidewalk	CDBG Grant Fund	Central Sidewalk	B Street Ballfield	Central Sidewalk Phase II	Lake Holt Boat Dock	Lyon Station Greenway Extension I	June 30, 2015
ASSETS									
Cash and equivalents	\$ -	\$ -	\$ 504	\$ -	\$ -	\$ 26,045	\$ -	\$ 1	\$ 26,550
Due from other governments	-	-	12,546	-	-	361	-	-	12,907
Due from General Fund	-	-	-	-	-	6,682	-	-	6,682
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,088</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 46,139</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 12,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,546
Due to General Fund	-	-	500	-	-	-	-	-	500
Total liabilities	<u>-</u>	<u>-</u>	<u>13,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,046</u>
FUND BALANCES									
Committed:									
Capital projects	-	-	-	-	-	33,088	-	1	33,089
Grant projects	-	-	4	-	-	-	-	-	4
Total fund balance	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>33,088</u>	<u>-</u>	<u>1</u>	<u>33,093</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,088</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 46,139</u>

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, 2016

	Special Revenue Fund			Capital Project Fund				Total Non-Major Governmental Funds	
	Greenway Construction	Safe Routes to School Sidewalk	CDBG Grant Fund	Central Sidewalk	B Street Ballfield	Central Sidewalk Phase II	Lake Holt Boat Dock	Lyon Station Greenway Extension I	June 30, 2015
REVENUES									
Grant Revenue	\$ -	\$ -	\$ 120,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,173
Investments Earnings	-	-	-	-	-	5	-	1	6
Total Revenues	-	-	120,173	-	-	5	-	1	120,179
EXPENDITURES									
Capital Outlay	-	-	107,228	-	-	79,532	-	-	186,760
REVENUES OVER EXPENDITURES	-	-	12,945	-	-	(79,527)	-	1	(66,581)
OTHER FINANCING SOURCES (USES)									
Transfers (to) from									
General Fund	(166)	(100)	-	-	44	79,000	(596)	-	78,182
General Fund - Powell Bill	-	-	-	7,500	-	-	-	-	7,500
Total Other Financing Sources (Uses)	(166)	(100)	-	7,500	44	79,000	(596)	-	85,682
NET CHANGE IN FUND BALANCE	(166)	(100)	12,945	7,500	44	(527)	(596)	1	19,101
FUND BALANCE									
Beginning	166	100	(12,941)	(7,500)	(44)	33,615	596	-	13,992
Ending	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ 33,088	\$ -	\$ 1	\$ 33,093

TOWN OF BUTNER, NORTH CAROLINA
Special Revenue Fund – Grant Project – Greenway Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Closed in Prior Years	Current Year	
REVENUES					
Restricted intergovernmental					
Greenway Construction					
CMAQ Grant	\$ -	\$ 205,268	\$ (205,268)	\$ -	\$ -
EXPENDITURES					
Capital Outlay	-	264,707	(264,707)	-	-
Excess of revenues over (under) expenditures	-	(59,439)	59,439	-	-
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	-	59,605	(59,439)	(166)	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 166	\$ -	(166)	\$ -
FUND BALANCE – Beginning				166	
FUND BALANCE – Ending				\$ -	

TOWN OF BUTNER, NORTH CAROLINA
Special Revenue Fund – Grant Project – Safe Routes to School Sidewalk
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Closed in Prior Years	Current Year	
REVENUES					
Restricted intergovernmental					
Safe Routes to School					
Sidewalk Grant	\$ -	\$ 299,602	\$ (299,602)	\$ -	\$ -
Investment earnings	-	87	(87)	-	-
Total revenues	-	299,689	(299,689)	-	-
EXPENDITURES					
Capital Outlay	-	349,313	(349,313)	-	-
Excess of revenues over (under) expenditures	-	(49,624)	49,624	-	-
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	-	49,724	(49,624)	(100)	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 100	\$ -	(100)	\$ -
FUND BALANCE – Beginning				100	
FUND BALANCE – Ending				\$ -	

TOWN OF BUTNER, NORTH CAROLINA
Special Revenue Fund – Grant Project – CDBG Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Restricted intergovernmental:					
CDBG Grant	\$ 4,200,000	\$ 121,869	\$ 120,173	\$ 242,042	\$ (3,957,958)
EXPENDITURES					
Capital Outlay	4,200,000	134,810	107,228	242,038	(3,957,962)
Excess of revenues over (under) expenditures	-	(12,941)	12,945	4	4
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ (12,941)	12,945	\$ 4	\$ 4
FUND BALANCE – Beginning			(12,941)		
FUND BALANCE – Ending			\$ 4		

TOWN OF BUTNER, NORTH CAROLINA
Capital Project Fund – Central Sidewalk Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Closed in Prior Years	Current Year	
REVENUES					
Restricted intergovernmental Division of Bicycle and Pedestrian Transportation Grant	\$ -	\$ 110,000	\$ (110,000)	\$ -	\$ -
EXPENDITURES					
Capital Outlay	-	122,848	(122,848)	-	-
Excess of revenues over (under) expenditures	-	(12,848)	12,848	-	-
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund - Powell Bill	-	5,348	(12,848)	7,500	-
Total other financing sources (uses)	-	5,348	(12,848)	7,500	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (7,500)</u>	<u>\$ -</u>	7,500	<u>\$ -</u>
FUND BALANCE – Beginning				(7,500)	
FUND BALANCE – Ending				<u>\$ -</u>	

TOWN OF BUTNER, NORTH CAROLINA
Capital Project Fund – B Street Ballfield
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Closed in Prior Years	Current Year	
REVENUES					
Restricted intergovernmental					
B Street Ballfield PARTF Grant	\$ -	\$ 500,000	\$ (500,000)	\$ -	\$ -
Investment earnings	-	668	(668)	-	-
	<u>-</u>	<u>500,668</u>	<u>(500,668)</u>	<u>-</u>	<u>-</u>
Total revenues	-	500,668	(500,668)	-	-
EXPENDITURES					
Debt Service					
Issuance Costs	-	1,900	(1,900)	-	-
Capital Outlay	-	4,104,458	(4,104,458)	-	-
	<u>-</u>	<u>4,106,358</u>	<u>(4,106,358)</u>	<u>-</u>	<u>-</u>
Total expenditures	-	4,106,358	(4,106,358)	-	-
Excess of revenues over (under) expenditures	<u>-</u>	<u>(3,605,690)</u>	<u>3,605,690</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	-	2,407,426	(2,407,470)	44	-
Insurance proceeds	-	198,220	(198,220)	-	-
Loan Proceeds	-	1,000,000	(1,000,000)	-	-
	<u>-</u>	<u>3,605,646</u>	<u>(3,605,690)</u>	<u>44</u>	<u>-</u>
Total other financing sources (uses)	-	3,605,646	(3,605,690)	44	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (44)</u>	<u>\$ -</u>	<u>44</u>	<u>\$ -</u>
FUND BALANCE – Beginning				<u>(44)</u>	
FUND BALANCE – Ending				<u>\$ -</u>	

TOWN OF BUTNER, NORTH CAROLINA
Capital Project Fund – Central Avenue Sidewalk Phase II
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental					
DOT Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	104	5	109	109
Total revenues	-	104	5	109	109
EXPENDITURES					
Capital Outlay	130,000	17,489	79,532	97,021	(32,979)
Excess of revenues over (under) expenditures	(130,000)	(17,385)	(79,527)	(96,912)	33,088
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	130,000	51,000	79,000	130,000	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 33,615	(527)	\$ 33,088	\$ 33,088
FUND BALANCE – Beginning			<u>33,615</u>		
FUND BALANCE – Ending			<u>\$ 33,088</u>		

TOWN OF BUTNER, NORTH CAROLINA
Capital Project Fund – Lake Holt Boat Dock
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Closed	
REVENUES					
Restricted intergovernmental					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital Outlay	-	29,404	-	(29,404)	-
Excess of revenues over (under) expenditures	-	(29,404)	-	29,404	-
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	-	30,000	(596)	(29,404)	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ 596	(596)	\$ -	\$ -
FUND BALANCE – Beginning			596		
FUND BALANCE – Ending			\$ -		

TOWN OF BUTNER, NORTH CAROLINA
Capital Project Fund – Lyon Station Greenway Extension I
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Restricted intergovernmental					
CMAQ Grant	\$ 197,600	\$ -	\$ -	\$ -	\$ (197,600)
Investment earnings	-	-	1	1	1
Total revenues	<u>197,600</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>(197,599)</u>
EXPENDITURES					
Capital Outlay	<u>247,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(247,000)</u>
Excess of revenues over (under) expenditures	<u>(49,400)</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>49,401</u>
OTHER FINANCING SOURCES (USES)					
Transfers from (to) General Fund	<u>49,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,400)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1</u>	<u>\$ 1</u>	<u>\$ 1</u>
FUND BALANCE – Beginning			<u>-</u>		
FUND BALANCE – Ending			<u>\$ 1</u>		

TOWN OF BUTNER, NORTH CAROLINA
Stormwater Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016, with Comparative Totals for the Fiscal Year ended June 30, 2015

	<u>2016</u>		Variance Positive (Negative)	2015 Actual
	Budget	Actual		
REVENUES				
Operating revenues				
Stormwater fees	\$ 331,600	\$ 371,464	\$ 39,864	\$ 365,275
Stormwater fee releases	-	(31,301)	(31,301)	-
Total revenues	<u>331,600</u>	<u>340,163</u>	<u>8,563</u>	<u>365,275</u>
EXPENDITURES				
Administration:				
Salaries and employee benefits		19,962		17,886
Professional services		45,104		50,610
Other operating expenditures		15,865		22,693
Total administration expenditures	<u>95,590</u>	<u>80,931</u>	<u>14,659</u>	<u>91,189</u>
Operating				
Salaries and employee benefits		76,514		84,130
Repairs and maintenance		2,246		97
Other operating expenditures		569		1,543
Total operating expenditures	<u>267,877</u>	<u>79,329</u>	<u>188,548</u>	<u>85,770</u>
Total expenditures	<u>363,467</u>	<u>160,260</u>	<u>203,207</u>	<u>176,959</u>
Excess of revenues over (under) expenditures	(31,867)	179,903	211,770	188,316
Fund balance appropriated	<u>31,867</u>	-	<u>(31,867)</u>	-
Excess of revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 179,903</u>	<u>\$ 179,903</u>	<u>\$ 188,316</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Excess of revenues and other financing sources over (under) expenditures		\$ 179,903		\$ 188,316
Reconciling items:				
(Increase) decrease in accrued vacation pay		1,036		181
Deferred outflows of resources for contributions made to pension plan in current fiscal year		4,936		4,507
Pension expense		<u>(5,389)</u>		<u>(1,959)</u>
Total reconciling items		<u>583</u>		<u>2,729</u>
Change in net position		<u>\$ 180,486</u>		<u>\$ 191,045</u>

OTHER SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 2,040,819	\$ 2,031,468	\$ 9,351
2014-2015	19,915	-	10,953	8,962
2013-2014	8,372	-	2,767	5,605
2012-2013	5,639	-	1,505	4,134
2011-2012	3,963	-	716	3,247
2010-2011	2,844	-	573	2,271
2009-2010	3,071	-	526	2,545
2008-2009	2,591	-	515	2,076
2007-2008	34,345	-	400	33,945
2006-2007	52,654	-	250	52,404
2005-2006	1,071	-	1,071	-
	<u>\$ 134,465</u>	<u>\$ 2,040,819</u>	<u>\$ 2,050,744</u>	<u>\$ 124,540</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 2,037,659
Reconciling items:	
Interest collected	(7,436)
Collections of previously written off taxes	(314)
Refunds	2,465
Discounts	17,006
Taxes written off	1,037
Releases	<u>327</u>
Total collections and credits	<u>\$ 2,050,744</u>

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

	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	\$ 523,384,465	0.350	\$ 1,831,435	\$ 1,831,435	\$ -
Motor vehicles taxed at prior year's rate	51,855,543	0.350	181,543	-	181,543
Penalties	-		2,004	2,004	-
Total	<u>575,240,008</u>		<u>2,014,982</u>	<u>1,833,439</u>	<u>181,543</u>
Discoveries:					
Current year taxes	<u>7,634,511</u>	0.350	<u>26,721</u>	<u>26,721</u>	<u>-</u>
Abatements					
Current year taxes	<u>(252,531)</u>	0.350	<u>(884)</u>	<u>(884)</u>	<u>-</u>
Total property valuation	<u>\$ 582,621,988</u>				
Net levy			2,040,819	1,859,276	181,543
Less Uncollected taxes at June 30, 2016			<u>9,351</u>	<u>9,351</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,031,468</u>	<u>\$ 1,849,925</u>	<u>\$ 181,543</u>
Current levy collection percentage			99.54%	99.50%	100.00%

COMPLIANCE SECTION



William L. Stark and Company
Certified Public Accountants

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

To the Town Council
Town of Butner, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Butner's basic financial statements, and have issued our report thereon dated December 12, 2016.

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 opinion on the financial statements, but not for the purpose of expressing 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 function, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purposes 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 12, 2016



William L. Stark and Company
Certified Public Accountants

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major State Program and Internal Control over Compliance in
Accordance with the Uniform Guidance and the State Single Audit
Implementation Act**

To the Town Council
Town of Butner, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Butner's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Butner's major State programs for the year ended June 30, 2016. The Town of Butner's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Town of Butner's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Butner complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

December 12, 2016

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

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weakness? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major State programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weakness? Yes X No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

 Yes X No

Identification of major State programs:

Program Name

State Street-Aid (Powell Bill) Program

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

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

Section V. Summary of Prior Year Audit Findings

None reported.

TOWN OF BUTNER, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Housing and Urban Development</u>				
Office of Community Planning and Development Passed through N.C. Dept. of Commerce Community Development Block Grant, State's Program	14.228	13-J-2619	\$ 120,173	\$ -
Total Federal Awards			<u>120,173</u>	<u>-</u>
STATE AWARDS				
<u>N.C. Department of Insurance</u>				
State Fire Protection Grant Fund			-	88,211
<u>N.C. Department of Transportation</u>				
Powell Bill		38290	-	510,714
Total State Awards			<u>-</u>	<u>598,925</u>
Total Federal and State Awards			<u>\$ 120,173</u>	<u>\$ 598,925</u>

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Butner under the programs of the Federal government and the state of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Butner, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Butner.

2 Summary of Significant Accounting Policies

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

The Town of Butner has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.