

**TOWN OF BENSON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For The Year Ended June 30, 2019

Governing Board

Jerry M. Medlin, Mayor

Cassandra P. Stack

Dean McLamb

Dr. R. Max Raynor, Jr.

Maxine Holley

Jim Johnson

William Neighbors

Town Officials

Fred Nelson, Interim Town Manager

Nancy Crouse, Town Clerk

Kimberly Pickett, Finance Director

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FINANCIAL SECTION

INTRODUCTORY INFORMATION



Rives & Associates, LLP
Certified Public Accountants

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American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 67, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 63 through 64, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 65 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Benson, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules statistical section as well as the accompanying schedule of expenditures of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of the Town of Benson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Benson's internal control over financial reporting and compliance.

River & Associates LLP

Raleigh, North Carolina
October 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Benson, we offer readers of the Town of Benson's financial statements this narrative overview and analysis of the financial activities of the Town of Benson for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

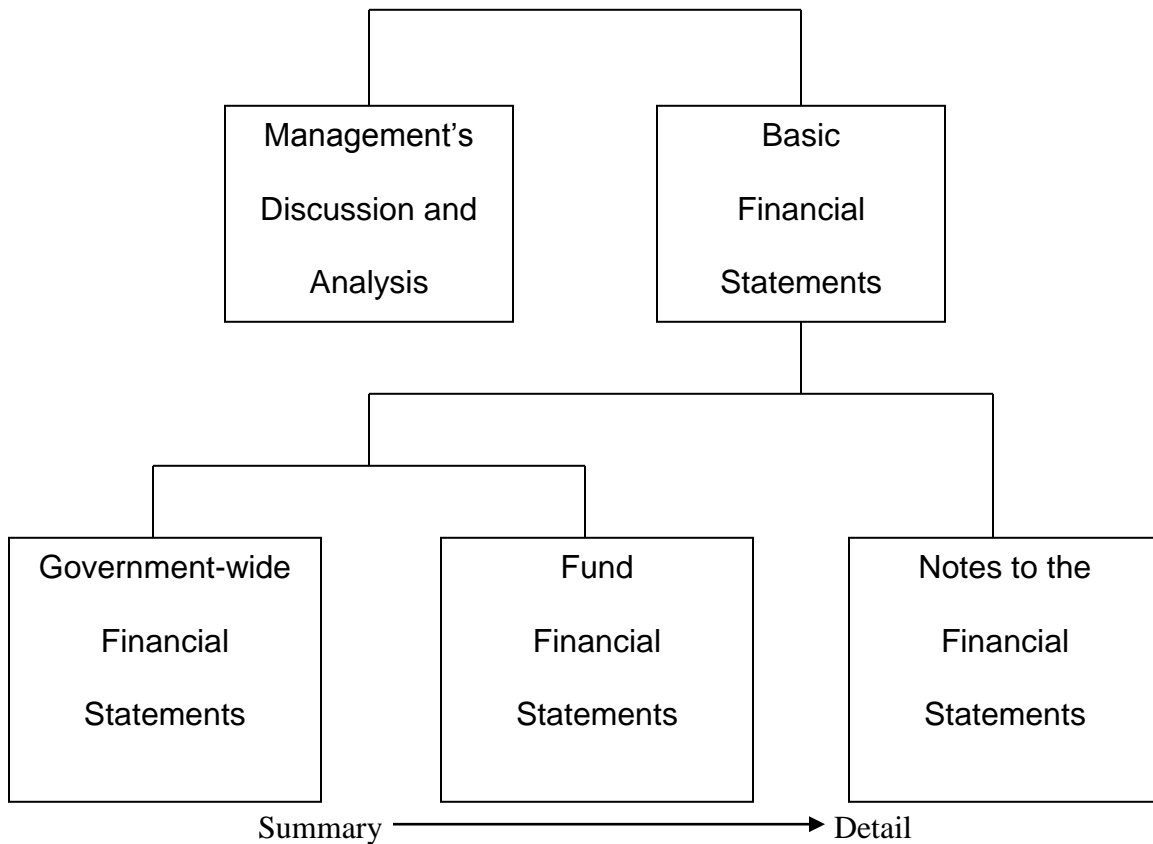
- The assets and deferred outflows of resources of the Town of Benson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,297,507 (*net position*).
- The government's total net position increased by \$327,361. This comprised of an increase in the net position from the Electric Fund of \$67,525 and a decrease in the Water and Sewer Fund of \$131,257. The governmental activities' net position increased by \$397,704.
- As of the close of the current fiscal year, the Town of Benson's governmental funds reported combined ending fund balances of \$3,191,675 with a net increase of \$637,393 in fund balance. Approximately 12% of this total amount, or \$389,677, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,871,140, or 44% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Benson's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Benson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Benson. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Benson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Benson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Benson has one fiduciary fund, which is an agency fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 10 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Benson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Schedule 1 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

Town of Benson's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Current and other assets	\$ 3,280,479	\$ 2,657,248	\$ 2,624,690	\$ 3,205,921	\$ 5,905,169	\$ 5,863,169
Capital assets, net	<u>7,857,530</u>	<u>8,141,570</u>	<u>15,096,170</u>	<u>14,460,253</u>	<u>22,953,700</u>	<u>22,601,823</u>
Total assets	<u>11,138,009</u>	<u>10,798,818</u>	<u>17,720,860</u>	<u>17,666,174</u>	<u>28,858,869</u>	<u>28,464,992</u>
Deferred Outflows of Resources	<u>341,283</u>	<u>234,325</u>	<u>287,086</u>	<u>169,313</u>	<u>628,369</u>	<u>403,638</u>
Liabilities:						
Long-term liabilities outstanding	1,303,221	1,380,007	5,299,061	5,382,874	6,602,282	6,762,881
Other liabilities	<u>809,652</u>	<u>706,276</u>	<u>1,686,215</u>	<u>1,387,928</u>	<u>2,495,867</u>	<u>2,094,204</u>
Total liabilities	<u>2,112,873</u>	<u>2,086,283</u>	<u>6,985,276</u>	<u>6,770,802</u>	<u>9,098,149</u>	<u>8,857,085</u>
Deferred Inflows of Resources	<u>81,893</u>	<u>60,038</u>	<u>9,689</u>	<u>10,888</u>	<u>91,582</u>	<u>70,926</u>
Net Position:						
Net investment in capital assets	6,773,775	6,988,810	9,534,434	8,850,921	16,308,209	15,839,731
Restricted	389,677	336,675	-	-	389,677	336,675
Unrestricted	<u>2,121,074</u>	<u>1,561,337</u>	<u>1,478,547</u>	<u>2,202,876</u>	<u>3,599,621</u>	<u>3,764,213</u>
Total net Position	<u>9,284,526</u>	<u>8,886,822</u>	<u>11,012,981</u>	<u>11,053,797</u>	<u>20,297,507</u>	<u>19,940,619</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Benson exceeded liabilities and deferred inflows by \$20,297,507 as of June 30, 2019. The Town's net position increased by \$327,361 for the fiscal year ended June 30, 2019. However, the largest portion (72%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Benson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Benson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Benson's net position, \$389,677 (approximately 4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,599,621 is unrestricted. Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

Net position increased by \$327,361 from operations due to the following:

- Total business-type revenues increased from prior year
- Total governmental activities revenues increased from the prior year

Management Discussion and Analysis
Town of Benson

Town of Benson's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 833,229	\$ 839,718	\$ 7,929,347	\$ 7,783,766	\$ 8,762,576	\$ 8,623,484
Operating grants and contributions	364,775	136,139	-	-	364,775	136,139
Capital grants and contributions	107,592	809,959	574,588	-	682,180	809,959
General Revenues:					-	
Property taxes	1,738,431	1,686,858	-	-	1,738,431	1,686,858
Other taxes	1,826,627	1,261,109	-	-	1,826,627	1,261,109
Investment earnings, unrestricted	<u>12,305</u>	<u>3,204</u>	<u>7,579</u>	<u>3,813</u>	<u>19,884</u>	<u>7,017</u>
Total revenues	<u>4,882,959</u>	<u>4,736,987</u>	<u>8,511,514</u>	<u>7,787,579</u>	<u>13,394,473</u>	<u>12,524,566</u>
Expenses:						
General government	1,289,342	1,004,208	-	-	1,289,342	1,004,208
Public safety	1,803,060	1,589,730	-	-	1,803,060	1,589,730
Public works	379,109	353,329	-	-	379,109	353,329
Transportation	195,737	373,116	-	-	195,737	373,116
Sanitation	-	-	-	-	-	-
Culture and recreation	773,368	771,988	-	-	773,368	771,988
Water and sewer	-	-	3,710,413	3,103,100	3,710,413	3,103,100
Electric	-	-	4,871,444	4,700,346	4,871,444	4,700,346
Interest and other charges	<u>44,639</u>	<u>72,712</u>	<u>-</u>	<u>-</u>	<u>44,639</u>	<u>72,712</u>
Total expenses	<u>4,485,255</u>	<u>4,165,083</u>	<u>8,581,857</u>	<u>7,803,446</u>	<u>13,067,112</u>	<u>11,968,529</u>
Increase (decrease) in net position	<u>397,704</u>	<u>571,904</u>	<u>(70,343)</u>	<u>(15,867)</u>	<u>327,361</u>	<u>556,037</u>
Net Position:						
Beginning of year, as previously stated - July 1	8,886,822	8,413,743	11,083,324	10,568,810	19,970,146	18,982,553
Restatement	-	<u>(98,825)</u>	-	<u>50,891</u>	-	<u>(47,934)</u>
Beginning of year - July 1	<u>8,886,822</u>	<u>8,314,918</u>	<u>11,083,324</u>	<u>10,619,701</u>	<u>19,970,146</u>	<u>18,934,619</u>
End of year - June 30	<u>9,284,526</u>	<u>8,886,822</u>	<u>11,012,981</u>	<u>10,603,834</u>	<u>20,297,507</u>	<u>19,490,656</u>

Governmental activities. Governmental activities resulted in a decrease in the Town's net position by \$397,704. Key elements of the decrease are as follows:

- Increase in expenses for general government, public works, public safety, and recreation
- Decrease in expenses for transportation

Business-type activities. Business-type activities decreased the Town of Benson's net position by \$70,343.

Key elements of this increase are as follows:

- Increase in capital repairs in the Water and Sewer Fund for the Waste Water Treatment Plant

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Benson's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Benson's financing requirements.

The general fund is the chief operating fund of the Town of Benson. At the end of the current fiscal year, Town of Benson's fund balance available in the General Fund was \$1,871,140, while total fund balance reached \$2,252,195. The Town has not adopted a formal fund balance policy. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 44% of total General Fund expenditures and transfers out, while total fund balance represents 53% of that same amount.

At June 30, 2019, the governmental funds of Town of Benson reported a combined fund balance of \$3,191,675, approximately a 24% increase over last year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased total revenue sources by \$752,232. Amendments were necessary due to the receipt of local option sales taxes, as well as property taxes, which was taken into account in the original budget and, due to conservatism, used in compiling the original budget. The town also took initiative in resurfacing more streets than originally planned for, so money was appropriated from Fund Balance.

Proprietary Funds. The Town of Benson's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$677,075, and for the Electric Fund, \$793,468. The total change in net position decreased for the Water and Sewer and the Electric Funds was \$644,931. The decrease in the Water and Sewer fund was from the continued work at the WWTP due to Hurricane Matthew. The Town is still working with FEMA to be reimbursed for these repairs as they are done. The decrease is also due to increased infrastructure repairs for the betterment of the town. The increase in the Electric fund was from conservative management practices within the department.

Capital Asset and Debt Administration

Capital assets. The Town of Benson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$22,953,700 net of accumulated depreciation. These assets include land, improvements, equipment, vehicles, infrastructure, plants and distribution systems.

Major capital asset transactions during the year include the following:

- Purchase of a new Kaufman trailer for an Excavator for \$6,300
- Purchase of new Hyundai R55-9A Excavator \$70,760
- Purchase of a new Line Truck \$142,200
- Purchase of a 2019 Ford F250 \$37,604
- Purchase of a 2019 Dodge Charger \$25,799
- Purchase of two 2019 Ford F150's \$59,180

(continued on next page)

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 773,291	\$ 773,291	\$ 28,870	\$ 28,870	\$ 802,161	\$ 802,161
Buildings and improvements	5,885,849	6,082,221	5,077,496	5,593,536	10,963,345	11,675,757
Infrastructure	99,142	103,797	-	-	99,142	103,797
Furniture, equipment, and machinery	415,460	479,260	359,719	103,773	775,179	583,033
Vehicles	666,125	703,001	254,959	255,957	921,084	958,958
Plant and distribution systems	-	-	5,978,176	5,798,692	5,978,176	5,798,692
Construction in progress	<u>17,663</u>	<u>-</u>	<u>3,396,950</u>	<u>2,679,425</u>	<u>3,414,613</u>	<u>2,679,425</u>
Total	<u>7,857,530</u>	<u>8,141,570</u>	<u>15,096,170</u>	<u>14,460,253</u>	<u>22,953,700</u>	<u>22,601,823</u>

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

Debt Administration:

**Outstanding Debt
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue bonds	\$ -	\$ -	\$ 879,000	\$ 895,000	\$ 879,000	\$ 895,000
Note payable	<u>1,083,755</u>	<u>1,152,760</u>	<u>4,519,799</u>	<u>4,714,332</u>	<u>5,603,554</u>	<u>5,867,092</u>
Total	<u>1,083,755</u>	<u>1,152,760</u>	<u>5,398,799</u>	<u>5,609,332</u>	<u>6,482,554</u>	<u>6,762,092</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Town of Benson's legal debt margin is \$32,915,268.

Additional information on the Town's debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- Management's comprehensive emphasis on economic development continues to aid in the expansion of current industry and attract new business. The town is currently working on a transportation study that will aid in the growth that Benson is moving into.
- Occupancy rates on office and retail space. The Town of Benson's occupancy overall rate remains 92% for the year. Management expects that the occupancy rate for fiscal year 2020 will increase due to increased requests for space.
- Currently, there are no vacant industrial structures in Benson. There is 100% occupancy. The greatest demand to date is for shell building (move in ready) space.
- Residential construction statistics are on the rise. New home construction in Benson is at an all-time high.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. Overall, General Fund revenues are budgeted to be approximately .82% less than 2019 actual amounts.

Business-type Activities: Water and Sewer Fund revenues are budgeted to be approximately .13% less than 2019 actual amounts. Electric Fund revenues are budgeted to be approximately .03% less than 2018 actual amounts.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, PO Box 69; 303 E Church St, Benson, North Carolina, 27504.

BASIC FINANCIAL STATEMENTS

TOWN OF BENSON, NORTH CAROLINA
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,875,011	\$ 1,090,296	\$ 3,965,307
Taxes receivables (net)	14,952	-	14,952
Accounts receivable	42,722	829,586	872,308
Due from other governments	262,006	60,905	322,911
Due from other funds	-	-	-
Inventories	-	380,722	380,722
Restricted cash	85,788	263,181	348,969
Total current assets	<u>3,280,479</u>	<u>2,624,690</u>	<u>5,905,169</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	800,429	3,425,820	4,226,249
Other capital assets, net of depreciation	7,057,101	11,670,350	18,727,451
Total capital assets	<u>7,857,530</u>	<u>15,096,170</u>	<u>22,953,700</u>
Total assets	<u>11,138,009</u>	<u>17,720,860</u>	<u>28,858,869</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	93,855	76,940	170,795
OPEB deferrals	2,661	2,753	5,414
Pension deferrals	244,767	207,393	452,160
Total deferred outflows of resources	<u>341,283</u>	<u>287,086</u>	<u>628,369</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	73,790	509,247	583,037
Due to other governments	-	23,565	23,565
Customer deposits	-	263,181	263,181
Current portion of long-term liabilities	71,228	312,147	383,375
Total current liabilities	<u>145,018</u>	<u>1,108,140</u>	<u>1,253,158</u>
Long-term liabilities:			
Net pension liability	396,934	371,704	768,638
Total pension liability	267,700	206,371	474,071
Due in more than one year	1,303,221	5,299,061	6,602,282
Total liabilities	<u>2,112,873</u>	<u>6,985,276</u>	<u>9,098,149</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	61	-	61
OPEB Deferrals	17,521	18,130	35,651
Pension deferrals	64,311	(8,441)	55,870
Total deferred inflows of resources	<u>81,893</u>	<u>9,689</u>	<u>91,582</u>
NET POSITION			
Net investment in capital assets	6,773,775	9,534,434	16,308,209
Restricted for:			
Stabilization by State Statue	303,889	-	303,889
Debt service	77,166	-	77,166
Economic and physical development	8,622	-	8,622
Unrestricted	2,121,074	1,478,547	3,599,621
Total net position	<u>\$ 9,284,526</u>	<u>\$ 11,012,981</u>	<u>\$ 20,297,507</u>

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,289,342	\$ 222,386	\$ -	\$ 5,476	\$ (1,061,480)	\$ -	\$ (1,061,480)
Public safety	1,803,060	8,570	364,775	-	(1,429,715)	-	(1,429,715)
Transportation	195,737	-	-	102,116	(93,621)	-	(93,621)
Environmental protection	379,109	412,661	-	-	33,552	-	33,552
Cultural and recreation	773,368	189,612	-	-	(583,756)	-	(583,756)
Interest on long-term debt	44,639	-	-	-	(44,639)	-	(44,639)
Total governmental activities	4,485,255	833,229	364,775	107,592	(3,179,659)	-	(3,179,659)
Business-type activities:							
Electric	4,871,444	4,784,205	-	-	-	(87,239)	(87,239)
Water and sewer	3,710,413	3,145,142	-	574,588	-	9,317	9,317
Total business-type activities	8,581,857	7,929,347	-	574,588	-	(77,922)	(77,922)
Total primary government	\$ 13,067,112	\$ 8,762,576	\$ 364,775	\$ 682,180	(3,179,659)	(77,922)	(3,257,581)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,738,431	-	1,738,431
Other taxes					1,205,848	-	1,205,848
Unrestricted investment earnings					12,305	7,579	19,884
Miscellaneous					172,249	-	172,249
Insurance recovery					448,530	-	448,530
Transfers					-	-	-
Total general revenues and transfers					3,577,363	7,579	3,584,942
Change in net position					397,704	(70,343)	327,361
Net position, beginning					8,886,822	11,083,324	19,970,146
Net position, ending					\$ 9,284,526	\$ 11,012,981	\$ 20,297,507

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Major Fund</u>	<u>Total Non-</u>	<u>Total</u>
	<u>General</u>	<u>Major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,944,992	\$ 930,019	\$ 2,875,011
Restricted cash	77,166	8,622	85,788
Taxes receivable - net	14,952	-	14,952
Accounts receivable	42,721	1	42,722
Due from other governments	261,168	838	262,006
Total assets	<u>\$ 2,340,999</u>	<u>\$ 939,480</u>	<u>\$ 3,280,479</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 73,790	\$ -	\$ 73,790
Total liabilities	<u>73,790</u>	<u>-</u>	<u>73,790</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes, licenses and fees	61	-	61
Taxes receivable	14,953	-	14,953
Total deferred inflows of resources	<u>15,014</u>	<u>-</u>	<u>15,014</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	303,889	-	303,889
Other	77,166	8,622	85,788
Committed	-	930,019	930,019
Unassigned	1,871,140	839	1,871,979
Total fund balances	<u>2,252,195</u>	<u>939,480</u>	<u>3,191,675</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,340,999</u>	<u>\$ 939,480</u>	<u>\$ 3,280,479</u>

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,723,478	\$ -	\$ 1,723,478
Other taxes and licenses	1,190,846	-	1,190,846
Unrestricted intergovernmental	15,002	-	15,002
Restricted intergovernmental	472,367	-	472,367
Permits and fees	833,229	-	833,229
Investment earnings	11,490	815	12,305
Miscellaneous	118,397	16,060	134,457
Total revenues	<u>4,364,809</u>	<u>16,875</u>	<u>4,381,684</u>
EXPENDITURES			
Current:			
General government	647,501	26,514	674,015
Public safety	1,741,723	-	1,741,723
Public works	383,519	-	383,519
Transportation	182,742	12,995	195,737
Environmental protection	379,109	-	379,109
Cultural and recreational	709,910	17,663	727,573
Debt service:		-	
Principal	69,005	-	69,005
Interest	44,639	-	44,639
Total expenditures	<u>4,158,148</u>	<u>57,172</u>	<u>4,215,320</u>
Excess (deficiency) of revenues over expenditures	<u>206,661</u>	<u>(40,297)</u>	<u>166,364</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	482,156	482,156
Transfers to other funds	(607,938)	(131,719)	(739,657)
Insurance recovery	448,530	280,000	728,530
Total other financing sources (uses)	<u>(159,408)</u>	<u>630,437</u>	<u>471,029</u>
Net change in fund balance	47,253	590,140	637,393
Fund balances, beginning	<u>2,204,942</u>	<u>349,340</u>	<u>2,554,282</u>
Fund balances, ending	<u>\$ 2,252,195</u>	<u>\$ 939,480</u>	<u>\$ 3,191,675</u>

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

TOWN OF BENSON, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 3,191,675
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	12,085,109	
Accumulated depreciation	<u>(4,227,579)</u>	7,857,530
Deferred outflows of resources related to pensions are not reported in the funds		338,622
Deferred outflows of resources related to OPEB are not reported in the funds		2,661
Earned revenues considered deferred inflows of resources in fund statements.		14,952
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(1,175,016)	
OPEB liability	(199,432)	
Net pension liability	(396,934)	
Total pension liability	<u>(267,700)</u>	(2,039,082)
Deferred inflows of resources related to pensions are not reported in the funds		(64,311)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(17,521)</u>
Net position of governmental activities		<u><u>\$ 9,284,526</u></u>

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

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

Net changes in fund balances- total governmental funds		\$ 637,393
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	\$ 55,498	
Depreciation expense for governmental assets	<u>(357,201)</u>	(301,703)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		104,286
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		(10,267)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	<u>69,005</u>	69,005
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	29,682	
Other	(10,859)	
Pension expense	(98,762)	
OPEB plan expense	<u>(21,071)</u>	<u>(101,010)</u>
Total changes in net position of governmental activities		<u>\$ 397,704</u>

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 5

General Fund

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

For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,517,022	\$ 1,710,300	\$ 1,723,478	\$ 13,178
Other taxes and licenses	891,600	1,108,680	1,190,846	82,166
Unrestricted intergovernmental	13,500	19,000	15,002	(3,998)
Restricted intergovernmental	426,477	486,107	472,367	(13,740)
Permits and fees	707,553	848,455	833,229	(15,226)
Investment earnings	500	18,825	11,490	(7,335)
Miscellaneous	52,700	575,740	118,397	(457,343)
Total revenues	3,609,352	4,767,107	4,364,809	(402,298)
Expenditures:				
Current:				
General government	493,963	723,174	647,501	75,673
Public safety	1,538,934	2,337,165	1,741,723	595,442
Public works	213,541	405,103	383,519	21,584
Transportation	353,500	205,398	182,742	22,656
Environmental protection	365,821	363,600	379,109	(15,509)
Cultural and recreational	626,450	774,036	709,910	64,126
Debt service:				
Principal	158,143	69,006	69,005	1
Interest	-	44,639	44,639	-
Total expenditures	3,750,352	4,922,121	4,158,148	763,973
Revenues over (under) expenditures	(141,000)	(155,014)	206,661	361,675
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(607,938)	(607,938)	-
Insurance recovery	-	-	448,530	448,530
Fund balance appropriated	141,000	762,952	-	(762,952)
Total other financing sources (uses)	141,000	155,014	(159,408)	(314,422)
Net change in fund balance	\$ -	\$ -	47,253	\$ 47,253
Fund balance, beginning			2,204,942	
Fund balance, ending			\$ 2,252,195	

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 6

Statement of Net Position

Proprietary Funds

June 30, 2019

	Major Enterprise Funds		Total Non-	
	Electric Fund	Water and Sewer Fund	Major Funds	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 616,502	\$ 466,258	\$ 7,536	\$ 1,090,296
Accounts receivable - net	453,061	376,525	-	829,586
Due from other governments	19,279	41,158	468	60,905
Inventories	153,546	227,176	-	380,722
Restricted cash and cash equivalents	218,538	44,643	-	263,181
Total current assets	1,460,926	1,155,760	8,004	2,624,690
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	3,425,820	-	3,425,820
Other capital assets, net of depreciation	588,312	11,082,038	-	11,670,350
Total capital assets	588,312	14,507,858	-	15,096,170
Total noncurrent assets	588,312	14,507,858	-	15,096,170
Total assets	2,049,238	15,663,618	8,004	17,720,860
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	29,797	47,143	-	76,940
OPEB deferrals	952	1,801	-	2,753
Pension deferrals	76,376	131,017	-	207,393
	107,125	179,961	-	287,086
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	298,599	210,648	-	509,247
Due to other governments	23,565	-	-	23,565
Customer deposits	218,538	44,643	-	263,181
Compensated absences, current	10,000	25,000	-	35,000
Current portion of long-term debt	37,252	239,895	-	277,147
Total current liabilities	587,954	520,186	-	1,108,140
Noncurrent liabilities:				
Accrued vacation	7,645	6,827	-	14,472
Other postemployment benefits	71,374	134,997	-	206,371
Net pension liability	138,008	233,696	-	371,704
Non-current portion of long-term debt	125,685	5,158,904	-	5,284,589
Total noncurrent liabilities	342,712	5,534,424	-	5,877,136
Total liabilities	930,666	6,054,610	-	6,985,276
DEFERRED INFLOWS OF RESOURCES				
OPEB deferrals	6,270	11,860	-	18,130
Pension deferrals	584	(9,025)	-	(8,441)
	6,854	2,835	-	9,689
NET POSITION				
Net investment in capital assets	425,375	9,109,059	-	9,534,434
Unrestricted	793,468	677,075	8,004	1,478,547
Total net position	\$ 1,218,843	\$ 9,786,134	\$ 8,004	\$ 11,012,981

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 7

	Major Enterprise Funds		Total Non-	
	Electric Fund	Water and Sewer Fund	Major Funds	Total
OPERATING REVENUES				
Charges for services	\$ 4,715,306	\$ 2,932,706	\$ -	\$ 7,648,012
Other operating revenues	68,899	212,436	-	281,335
Total operating revenues	<u>4,784,205</u>	<u>3,145,142</u>	<u>-</u>	<u>7,929,347</u>
OPERATING EXPENSES				
General operations	-	1,147,900	-	1,147,900
Electric operations	1,347,216	-	-	1,347,216
Power / water purchases	3,104,896	658,554	-	3,763,450
Equipment and line improvements	217,692	55,931	151,167	424,790
Water distribution	-	64,826	-	64,826
Waste water collection	-	1,278,667	-	1,278,667
Depreciation	50,473	385,328	-	435,801
Total operating expenses	<u>4,720,277</u>	<u>3,591,206</u>	<u>151,167</u>	<u>8,462,650</u>
Operating income (loss)	<u>63,928</u>	<u>(446,064)</u>	<u>(151,167)</u>	<u>(533,303)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	3,597	3,982	-	7,579
Interest and other charges	-	(119,207)	-	(119,207)
Total nonoperating revenues (expenses)	<u>3,597</u>	<u>(115,225)</u>	<u>-</u>	<u>(111,628)</u>
Income (loss) before contributions and transfers	67,525	(561,289)	(151,167)	(644,931)
Capital contributions	-	430,032	144,556	574,588
Transfer from other funds	-	-	-	-
Change in net position	67,525	(131,257)	(6,611)	(70,343)
Beginning net position	1,151,318	9,917,391	14,615	11,083,324
Total net position, ending	<u>\$ 1,218,843</u>	<u>\$ 9,786,134</u>	<u>\$ 8,004</u>	<u>\$ 11,012,981</u>

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

TOWN OF BENSON, NORTH CAROLINA

Exhibit 8

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Total Non- Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,715,137	\$ 2,869,253	\$ 2,300	\$ 7,586,690
Cash paid for goods and services	(4,126,451)	(2,128,741)	(151,167)	(6,406,359)
Cash paid to or on behalf of employees for services	(558,140)	(1,048,252)	-	(1,606,392)
Customer deposits received	3,096	1,932	-	5,028
Other operating revenues	68,899	212,436	-	281,335
Net cash provided (used) by operating activities	102,541	(93,372)	(148,867)	(139,698)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer (to) from other funds	-	-	-	-
Total cash flow from noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on bonds/loans	162,937	(181,006)	-	(18,069)
Interest paid on bonds/loans	-	(119,207)	-	(119,207)
Capital grants	-	430,032	144,556	574,588
Acquisition and construction of capital assets	(239,529)	(832,189)	-	(1,071,718)
Net cash provided (used) by capital and related financing activities	(76,592)	(702,370)	144,556	(634,406)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	3,597	3,982	-	7,579
Net cash provided (used) by investing activities	3,597	3,982	-	7,579
Net increase (decrease) in cash and cash equivalents	29,546	(791,760)	(4,311)	(766,525)
Balances, beginning	805,494	1,302,661	11,847	2,120,002
Balances, ending	\$ 835,040	\$ 510,901	\$ 7,536	\$ 1,353,477
 Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 63,928	\$ (446,064)	\$ (151,167)	\$ (533,303)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,473	385,328	-	435,801
Loss on disposal of capital assets	-	-	-	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	4,622	(41,241)	-	(36,619)
Decrease (increase) in due from other governments	(4,791)	(22,212)	2,300	(24,703)
Increase in net pension liability	48,606	91,952	-	140,558
Increase (decrease) in accounts payable and accrued liabilities	(12,761)	106,043	-	93,282
Decrease (increase) in inventories	(10,636)	(113,336)	-	(123,972)
Increase (decrease) in customer deposits	3,096	1,932	-	5,028
Increase (decrease) in accrued vacation	933	(63)	-	870
(Increase) decrease in deferred outflows of resources for pensions	(40,650)	(77,123)	-	(117,773)
Decrease (increase) in deferred inflows of resources - pensions	(857)	(342)	-	(1,199)
Increase (decrease) in other postemployment benefits	578	21,754	-	22,332
Total adjustments	38,613	352,692	2,300	393,605
Net cash provided by operating activities	\$ 102,541	\$ (93,372)	\$ (148,867)	\$ (139,698)

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Net Position
Fiduciary Fund
June 30, 2018

Exhibit 9

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

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

TOWN OF BENSON, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2019

Exhibit 10

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

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Benson (“the Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Benson is a municipal corporation that is governed by an elected mayor and a six-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the Town.

B. Basis of Presentation

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

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, sanitation, parks and recreation and general government services.

The Town reports the following non-major governmental funds:

Special Revenue Fund. The Special Revenue Fund accounts for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The USDA Grant Fund, Hurricane Matthew Insurance Proceeds Fund, and Hurricane Florence Insurance Proceeds Fund are the Town's only special revenue funds.

Capital Projects Fund. The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Town has eight capital project funds: Street Paving Project, Community Park Improvement Project, Library Rehab Project, Voluntary Demolition Project, Interstate 95 Widening Project, BFA Lighting System, 2019 Street Paving Project and the Capital Reserve.

The Town reports the following major enterprise funds:

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

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

The Town reports the following fiduciary fund type:

Private-Purpose Trust Fund. This fund is used to account for trust arrangements under which the principal and income benefits individuals, private organizations, or other governments. The Town maintains one private purpose trust fund: the J.L. George Endowment Beautification Trust Fund was created to preserve for the future beauty of the Town. The trust permits its earnings to be expended to support specific projects.

C. Measurement Focus and Basis of Accounting

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

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

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

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

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

The effects of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments-in-lieu-of-taxes and other charges between the Town's water and sewer funds and various other functions of the Town. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

D. Budgetary Data

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

Town of Benson Restricted Cash

Governmental Activities:

General Fund:

Debt Service	\$	77,166
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Other governmental funds:

USDA Grant Fund

Economic and physical development		8,622
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Total governmental activities		85,788
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Business-type Activities:

Electric Fund:

Customer deposits		218,538
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Water and Sewer Fund:

Customer deposits		44,643
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Total Business-type Activities		263,181
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Private Purpose Trust Fund:

J.L. George Endowment

Beautification Grant Trust Fund		26,751
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Total Restricted Cash	\$	375,720
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4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

The inventories of the Town are valued at the lower of cost or market. The inventories of the Town consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated life in excess of two years. The minimum capitalization threshold is \$5,000 for all capital assets. Purchased and constructed capital assets are reported at cost or estimated historical costs. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and structures	50 years
Improvements	10 – 25 years
Infrastructure	40 – 50 years
Furnishings and fixtures	10 years
Vehicles	6 – 10 years
Equipment (non-computer)	5 – 10 years
Computer equipment	3 years
Software	3 years

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, contributions made to the pension plan in the 2019 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that met this criterion for this category – prepaid property taxes, property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Benson’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Committed for Safety – portion of fund balances that is committed to the Voluntary Demolition Project and Power Line and Tree Trimming Project.

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

Committed for Cultural and Recreational – portion of fund balance that is committed to the Community Park Improvements Project.

Assigned Fund Balance – portion of fund balance that the Town of Benson 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 appropriation within a fund up to 10% of any department’s appropriation.

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

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

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (Continued)

12. Defined Benefit Cost-Sharing Plans

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

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

The Town has investments in preferred stock in the J.L. George Endowment Beautification Grant Trust Fund, which is a violation of State Law [G.S. 159-30(c)]. State law requires that the Town invest its monies only in certain types of securities, which prohibits investing in preferred stock. The Town will consider converting its shares of preferred stock into securities that are in compliance with State law.

For the fiscal year ended June 30, 2019, the expenditures made for the Town's General Fund environmental protection function exceeded authorized appropriations made by the governing board by \$15,509. Management and the Board will more closely review the budget reports to ensure compliance in future years and will make sure all debt payments are accounted for in the correct fund.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits (Continued)

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the

escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$4,284,449 and a bank balance of \$4,334,985. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the Dedicated Method and monitored by the State Treasurer. At June 30, 2019, the Town's petty cash fund totaled \$300.

2. Investments

As of June 30, 2019, the Town had an investment in equity securities in its fiduciary fund, the J.L. George Endowment Beautification Grant Trust Fund. The market value of these securities was \$26,751 as of the close of business on June 30, 2019. The Town has no formal policy regarding credit risk of its investments.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$2,221.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

	Taxes	Accounts	Due from Other Governments	Total
Governmental Activities:				
General Fund	\$ 20,216	\$ 46,818	\$ 262,006	\$ 329,040
Allowance for doubtful accounts	(5,264)	(4,096)	-	(9,360)
Total governmental activities	<u>\$ 14,952</u>	<u>\$ 42,722</u>	<u>\$ 262,006</u>	<u>\$ 319,680</u>
Business-Type Activities:				
Electric Fund	\$ -	\$ 588,233	\$ 19,279	\$ 607,512
Water and Sewer Fund	-	594,560	41,158	635,718
Non-major funds	-	-	468	468
Total receivables	-	1,182,793	60,905	1,243,698
Allowance for doubtful accounts	-	(353,207)	-	(353,207)
Total business-type activities	<u>\$ -</u>	<u>\$ 829,586</u>	<u>\$ 60,905</u>	<u>\$ 890,491</u>

Due from other governments consisted of the following:

Sales tax refund	<u>\$ 60,905</u>
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TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 773,291	\$ -	\$ -	\$ 773,291
Construction in Progress	-	17,663	-	17,663
Total capital assets not being depreciated	<u>773,291</u>	<u>17,663</u>	<u>-</u>	<u>790,954</u>
Capital assets being depreciated:				
Buildings and structures	8,614,604	-	-	8,614,604
Infrastructure	131,888	-	-	131,888
Furniture, equipment, and machinery	1,054,403	-	-	1,054,403
Vehicles	1,437,762	55,498	-	1,493,260
Total capital assets being depreciated	<u>11,238,657</u>	<u>55,498</u>	<u>-</u>	<u>11,294,155</u>
Less Accumulated Depreciation:				
Buildings and structures	2,532,383	196,372	-	2,728,755
Infrastructure	28,091	4,655	-	32,746
Furniture, equipment, and machinery	575,143	63,800	-	638,943
Vehicles	734,761	92,374	-	827,135
Total accumulated depreciation	<u>3,870,378</u>	<u>357,201</u>	<u>-</u>	<u>4,227,579</u>
Total capital assets being depreciated, net	<u>7,368,279</u>			<u>7,066,576</u>
Governmental activities capital assets, net	<u><u>\$ 8,141,570</u></u>			<u><u>\$ 7,857,530</u></u>

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

General government	\$ 188,704
Public safety	82,210
Public work	25,939
Cultural and recreation	60,348
	<u><u>\$ 357,201</u></u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

	Balance			Balance
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Electrical system	2,211,037	-	-	2,211,037
Furniture and equipment	232,432	239,529	58,387	413,574
Vehicles	362,639	-	-	362,639
Total capital assets being depreciated	<u>2,806,108</u>	<u>239,529</u>	<u>58,387</u>	<u>2,987,250</u>
Less Accumulated Depreciation:				
Electrical system	1,847,617	22,956	-	1,870,573
Furniture and equipment	229,781	19,465	58,387	190,859
Vehicles	329,454	8,052	-	337,506
Total accumulated depreciation	<u>2,406,852</u>	<u>50,473</u>	<u>58,387</u>	<u>2,398,938</u>
Total capital assets being depreciated, net	<u>399,256</u>			<u>588,312</u>
Electric fund capital assets, net	<u>399,256</u>			<u>588,312</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

4. Capital Assets (Continued)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 28,870	\$ -	\$ -	\$ 28,870
Construction in progress	2,679,425	717,525	-	3,396,950
Total capital assets not being depreciated	<u>2,708,295</u>	<u>717,525</u>	<u>-</u>	<u>3,425,820</u>
Capital assets being depreciated:				
Buildings and structures	7,635,979	-	-	7,635,979
Water and sewer systems	8,329,677	-	-	8,329,677
Furniture and equipment	863,991	77,060	-	941,051
Vehicles	289,464	37,604	5,900	321,168
Total capital assets being depreciated	<u>17,119,111</u>	<u>114,664</u>	<u>5,900</u>	<u>17,227,875</u>
Less Accumulated Depreciation:				
Buildings and structures	2,405,863	152,620	-	2,558,483
Water and sewer systems	2,530,985	160,980	-	2,691,965
Furniture and equipment	762,869	41,178	-	804,047
Vehicles	66,692	30,550	5,900	91,342
Total accumulated depreciation	<u>5,766,409</u>	<u>385,328</u>	<u>5,900</u>	<u>6,145,837</u>
Total capital assets being depreciated, net	<u>11,352,702</u>			<u>11,082,038</u>
Water and sewer fund capital assets, net	<u>14,060,997</u>			<u>14,507,858</u>
 Business-type activities capital assets, net	 <u>\$ 14,460,253</u>			 <u>\$ 15,096,170</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Benson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Benson's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Benson were \$170,795 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$768,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 (measurement date), the Town's proportion was 0.03240%, which was an increase of 00.00018% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$201,556. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,583	\$ 3,979
Changes of assumptions	203,967	-
Net difference between projected and actual earnings on pension plan investments	105,512	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	23,502
Town contributions subsequent to the measurement date	170,795	-
Total	\$ 598,857	\$ 27,481

\$170,795 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 192,315
2021	\$ 128,771
2022	\$ 19,951
2023	\$ 59,541
2024	\$ -
Thereafter	\$ -

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,846,337	\$ 768,639	\$ (131,903)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Benson administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2017, 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	9
Total	<u>9</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

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

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

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

At June 30, 2019, the Town reported a total pension liability of \$267,700. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$20,597.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,559	\$ 16,574
Changes of assumptions	12,537	11,815
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 24,096	\$ 28,389

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 6,495	\$ 6,861
2021	6,495	6,861
2022	6,495	6,861
2023	4,611	6,500
2024	-	1,306
Thereafter	-	-

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 290,149	\$ 267,700	\$ 246,949

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

	<u>2019</u>
Beginning balance	\$ 277,798
Service Cost	12,185
Interest on the total pension liability	8,778
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(20,502)
Changes of assumptions or other inputs	(10,559)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 267,700</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 201,556	\$ 20,597	\$ 222,153
Pension Liability	768,639	267,700	1,036,339
Proportionate share of the net pension liability	0.03240%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	118,583	11,559	130,142
Changes of assumptions	203,967	12,537	216,504
Net difference between projected and actual earnings on plan investments	105,512	-	105,512
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	170,795	-	170,795
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,979	16,574	20,553
Changes of assumptions	-	11,815	11,815
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	23,502	-	23,502

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

d. Supplemental Retirement Income Plan for Employees

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$27,612, which consisted of \$26,677 from the Town and \$935 from the law enforcement officers.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

d. Supplemental Retirement Income Plan for Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees, including law enforcement employees. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Town elects to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$112,006, which consisted of \$85,989 from the Town and \$26,017 from the employees.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

Membership of the HCB plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	1	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	31	9
Total	32	9

Total OPEB Liability

The Town's total OPEB liability of \$405,762 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 -7.75 percent
Discount rate	3.89 percent
Healthcare cost trend rates	7.50 percent

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1/2017	\$ 381,033
Changes for the year	
Service cost	33,308
Interest	13,431
Changes of benefit terms	-
Differences between expected and actual experience	2,006
Changes in assumptions or other inputs	(16,447)
Benefit payments	(7,569)
Net changes	<u>24,729</u>
Balance at 6/30/2018	<u><u>\$ 405,762</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 457,805	\$ 405,762	\$ 360,004

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

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 343,913	\$ 405,762	\$ 481,650

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$43,002. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,414	\$ -
Changes of assumptions	-	35,647
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 5,414</u>	<u>\$ 35,647</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (3,737)
2021	(3,737)
2022	(3,737)
2023	(3,737)
2024	(3,737)
Thereafter	(11,548)

2. Other Employment Benefits

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

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 170,795
OPEB deferrals	5,414
Pension deferrals	452,160
Total	<u>\$ 628,369</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 61	\$ 61
Taxes Receivable, less penalties (General Fund)	-	14,953
OPEB deferrals	17,521	-
Pension deferrals	64,311	-
Total	<u>\$ 81,893</u>	<u>\$ 15,014</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases its insurance through a private agency. Through this agency, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$4 million lifetime limit. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town is not in a flood plain; however, the Town does carry \$1,000,000 of "difference in condition" coverage for flood or earthquake with a \$50,000 deductible.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. All employees are covered by a blanket bond of \$100,000. The finance officer is bonded for \$50,000.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Leases

The Town has entered into an agreement to lease a line truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The agreement was executed on September 1, 2018 to lease a line truck and requires five yearly payments of \$47,011. In this agreement, title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles and motorized equipment	\$ 209,948	\$ 17,496	\$ 192,452

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30	
2020	\$ 47,011
2021	47,011
2022	47,011
2023	47,011
Total minimum lease payments	188,044
Less: amount representing interest	25,107
Present value of the minimum lease payments	\$ 162,937

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

b. Governmental Activities Long-Term Debt

\$610,000 USDA direct loan issued June 2006, interest at 4.25%, payable in annual installments of \$36,356, including interest, with a final payment due in 2036; secured by fire department building. \$ 431,971

\$695,000 USDA direct loan issued June 2006, interest at 4.125%, payable in annual installments of \$40,810, including interest, with a final payment due in 2036; secured by fire department building. 480,613

\$325,000 direct note issued June 2014, interest at 2.15%, payable in annual installments of \$36,477, including interest, with a final payment due in 2024; secured by equipment 171,171
Total governmental activities notes payable \$ 1,083,755

The future minimum payments of the governmental activities long-term debt notes payable as of June 30, 2019 are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 71,228	\$ 42,415	\$ 113,643
2021	73,552	40,091	113,643
2022	75,947	37,690	113,636
2023	78,428	35,208	113,636
2024	80,996	32,640	113,631
2025-2029	256,500	129,330	385,830
2030-2034	314,837	70,993	385,830
2035-2036	132,267	99,225	231,498
Total	<u>\$ 1,083,755</u>	<u>\$ 487,593</u>	<u>\$ 1,571,347</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

c. Water and sewer fund

\$1,750,000 direct Clean Water Revolving Loan issued March 2008, interest at 2.265%, payable in annual installments of \$87,500, plus semi-annual interest payments; final payment due in 2028; secured by system assets

\$ 787,500

\$367,403 direct State Emergency Loan issued October 2013, interest at 0%, payable in annual installments of \$18,370, with a final payment due in 2034, secured by system assets

256,810

\$430,000 Water Line Repairs, phase 2 direct loan issued September, 2014, interest at 3.36%, payable in annual installments of \$36,865, with final payment due in September 2029, secured by system assets

134,804

\$216,000 direct Drinking Water State Revolving Loan issued in May 2014, interest at 0%, payable in annual installments of \$10,800, with final payment due in May 2034, secured by system assets

162,000

\$2,802,000 direct Water and Sewer System Revenue Bond Anticipation Note issued June 20, 2018 payable in escalating annual installments, including interest at 1.625% with final payment due in June 2058.

2,749,000

\$561,000 AMI Project direct Loan issued in December 19, 2014 and revised on April 30, 2015, interest at 0%, payable in annual installments of \$29,527 over a span of 19 years.

429,685

Total enterprise funds notes payable

\$ 4,519,799

d. Revenue bonds payable – water and sewer

\$981,000 Series 2010 Water and Sewer Revenue Bonds, interest at 3.25%, due in \$13,000 to \$44,000 annual installments, plus interest, final payment due 2050

\$ 879,000

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

The Town is not in compliance with the covenants as to rates, fees, rentals and charges in Section 5 of the Bond Order, authorizing the issuance of the Series 2010 water and sewer revenue bonds since its adoption in 2009. Section 5.02 of the Bond Order requires the debt service coverage ratio to be no less than 110 percent. Section 5.02 of the Bond Order also requires the debt service coverage ratio to be no less than 100 percent of the Subordinated Debt Service Requirement. The debt service coverage ratio calculations for the year ended June 30, 2019 are as follows:

Operating revenues	\$ 2,932,706
Operating expenses*	3,205,878
Operating income (loss)	<u>(273,172)</u>
Non-operating revenues (expenses)**	3,982
Income (loss) available for debt service	<u><u>\$ (269,190)</u></u>

Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 45,242</u>
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Debt service coverage ratio	<u>-595%</u>
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Subordinated Debt Service:

Debt service, principal, and interest paid (Subordinated Debt Service only)	<u>\$ 259,979</u>
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Debt service coverage ratio	<u>-104%</u>
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*Per rate covenants, this does not include the depreciation expense of \$385,328.

**Per rate covenants, this does not include interest paid of \$119,207.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$981,000 in water and sewer system revenue bonds issued June 2010. Proceeds from the bonds provided financing for the extension of water and sewer lines. The bonds are payable solely from water and sewer customer net revenues and are payable through 2050. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,402,502. Principal and interest paid for the current year and total customer net revenues (expenses) were \$45,242 and (\$269,190), respectively.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

The future minimum payments of the Business-type activities long-term debt as of June 30, 2019 are as follows:

Notes Payable:

Year Ending				
June 30	Principal	Interest	Total	
2020	\$ 222,895	\$ 83,440	\$ 306,355	
2021	224,759	77,612	302,371	
2022	226,651	73,738	300,389	
2023	228,574	69,833	298,407	
2024	227,910	68,515	296,425	
2025-2029	958,012	259,863	1,217,875	
2030-2034	541,998	206,775	748,773	
2035-2039	335,000	181,775	516,775	
2040-2044	365,000	151,775	516,775	
2045-2049	395,000	121,775	516,775	
2050-2054	428,000	88,775	516,775	
2055-2058	366,000	47,420	516,000	
Total	\$ 4,519,799	\$ 1,431,296	\$ 5,951,095	

Revenue Bonds Payable:

Year Ending				
June 30	Principal	Interest	Total	
2020	\$ 17,000	\$ 28,242	\$ 45,242	
2021	17,000	28,242	45,242	
2022	18,000	27,242	45,242	
2023	18,000	27,242	45,242	
2024	19,000	26,242	45,242	
2025-2029	105,000	121,210	226,210	
2030-2034	123,000	103,210	226,210	
2035-2039	145,000	81,210	226,210	
2040-2044	170,000	56,210	226,210	
2045-2049	202,000	24,210	226,210	
2050-2052	44,000	1,242	45,242	
Total	\$ 878,000	\$ 524,502	\$ 1,402,502	

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Governmental Activities:					
Direct notes payable	\$ 1,152,760	\$ -	\$ (69,005)	\$ 1,083,755	\$ 71,228
Compensated absences	99,258	-	(7,996)	91,262	-
Net pension liability (LGERS)	261,254	135,680	-	396,934	-
Total pension liability	277,798	-	(10,098)	267,700	-
Total OPEB liability	196,994	2,438	-	199,432	-
Total governmental activities	<u>\$ 1,988,064</u>	<u>\$ 138,118</u>	<u>\$ (87,099)</u>	<u>\$ 2,039,083</u>	<u>\$ 71,228</u>
Business-Type Activities:					
Water and Sewer Fund:					
Revenue bonds	\$ 895,000	\$ -	\$ (16,000)	\$ 879,000	\$ 17,000
Direct notes payable	4,714,332	-	(194,533)	4,519,799	222,895
Compensated absences	31,890	-	(63)	31,827	25,000
Net pension liability (LGERS)	141,744	91,952	-	233,696	-
Total OPEB liability	113,243	21,754	-	134,997	-
Total	<u>5,896,209</u>	<u>113,706</u>	<u>(210,596)</u>	<u>5,799,319</u>	<u>264,895</u>
Electric Fund:					
Compensated absences	16,712	933	-	17,645	10,000
Capitalized leases	-	209,948	(47,011)	162,937	37,252
Net pension liability (LGERS)	89,402	48,606	-	138,008	-
Total OPEB liability	70,796	578	-	71,374	-
Total	<u>176,910</u>	<u>260,065</u>	<u>(47,011)</u>	<u>389,964</u>	<u>47,252</u>
Total business-type activities	<u>\$ 6,073,119</u>	<u>\$ 373,771</u>	<u>\$ (257,607)</u>	<u>\$ 6,189,283</u>	<u>\$ 312,147</u>

The Town has a legal debt margin of \$32,915,268 at June 30, 2019.

6. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 7,857,530	\$ 15,096,170
Less: long-term debt	(1,083,755)	(5,561,736)
Plus: unspent bond proceeds	-	-
Net investment in capital assets	<u>\$ 6,773,775</u>	<u>\$ 9,534,434</u>

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detail Notes on All Funds (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

From General Fund to the 2019 Street Paving Project to fund capital project	\$ 247,291
From General Fund to the I95 Widening Project to fund capital project	36,647
From General Fund to the Hurricane Florence Insurance Proceeds to fund capital project	280,000
From General Fund to the Capital Reserve Fund to fund capital projects	44,000
From Capital Reserve Fund to Community Park Improvements Project to fund capital projects	96,718
From Capital Reserve Fund to Library Rehab Project to fund capital projects	35,000

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

D. Fund Balance

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

Total fund balance-General Fund	\$ 2,252,195
Less:	
Stabilization by State Statute	303,889
Debt Service	77,166
Appropriated Fund Balance in 2017 budget	-
Remaining Fund Balance	\$ 1,871,140

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Town had no encumbrances at June 30, 2019.

TOWN OF BENSON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

IV. Jointly Governed Organization

The Town, in conjunction with other local governments, is a member of the North Carolina Eastern Municipalities Power Agency (Power Agency). The Power Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Power Agency's governing board. The members, who receive power from the Power Agency, have signed power sales agreements to purchase a specified share of the power generated by the Power Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power from the power agency for the fiscal year ended June 30, 2019 were \$3,104,896.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VII. Related Organization

The six-member Board of the Town of Benson Housing Authority is appointed by the Mayor of the Town. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town is also disclosed as a related organization in the notes to the financial statements for the Town of Benson Housing Authority.

VIII. Extraordinary Event

In September 2018, the Town of Benson incurred damages to Town property due to the effects of Hurricane Florence. Expenditures incurred related to repair or replace damaged property amounted to \$168,530. The Town received insurance proceeds of \$448,530 to offset these expenditures.

IX. Concentration of Risk

For the year ended June 30, 2019, approximately 60% of total water and sewer charges for services related to one company.

X. Significant Effects of Subsequent Events

Subsequent events have been evaluated through October 22, 2019, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule 1

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Benson's proportion of the net pension liability (asset) (%)	0.0324%	0.0322%	0.0318%	0.0299%	0.0767%	0.0759%
Benson's proportion of the net pension liability (asset) (\$)	\$ 768,639	\$ 492,400	675,327	\$ 134,189	\$ (204,406)	\$ 394,161
Benson's covered-employee payroll	\$ 1,939,861	\$ 1,768,900	\$ 1,710,660	\$ 1,668,796	\$ 1,676,702	\$ 1,697,774
Benson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.62%	27.84%	39.48%	8.04%	-12.19%	23.22%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Schedule 2

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 170,795	\$ 149,372	\$ 132,530	\$ 117,643	\$ 119,438	\$ 119,499
Contributions in relation to the contractually required contribution	<u>170,795</u>	<u>149,372</u>	<u>132,530</u>	<u>117,643</u>	<u>119,438</u>	<u>119,499</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Benson's covered-employee payroll	\$2,244,033	\$1,939,861	\$1,768,900	\$1,710,660	\$1,668,796	\$1,676,702
Contribution as a percentage of covered-employee payroll	7.61%	7.70%	7.49%	6.88%	7.16%	7.13%

TOWN OF BENSON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2019

Schedule 3

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 277,798	\$ 218,042	\$ 204,526
Service Cost	12,185	14,254	12,223
Interest on the total pension liability	8,778	8,416	7,302
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(20,502)	17,791	-
Changes of assumptions or other inputs	(10,559)	19,295	(6,009)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u><u>\$ 267,700</u></u>	<u><u>\$ 277,798</u></u>	<u><u>\$ 218,042</u></u>

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

TOWN OF BENSON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2019

Schedule 4

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 267,700	\$ 277,798	\$ 218,042
Covered payroll	429,160	522,095	418,962
Total pension liability as a percentage of covered payroll	62.38%	53.21%	52.04%

Notes to the schedules:

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

TOWN OF BENSON, NORTH CAROLINA
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2019

Schedule 5

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 33,308	\$ 36,003
Interest	13,431	10,861
Changes of benefit terms	-	-
Differences between expected and actual experience	2,006	4,555
Changes of assumptions	(16,447)	(26,331)
Benefit payments	(7,569)	(9,695)
Net change in total OPEB liability	<u>24,729</u>	<u>15,393</u>
Total OPEB liability - beginning	<u>381,033</u>	<u>365,640</u>
Total OPEB liability - ending	<u><u>\$ 405,762</u></u>	<u><u>\$ 381,033</u></u>
 Covered payroll	 \$ 1,666,147	 \$ 1,666,147
Total OPEB liability as a percentage of covered payroll	24.35%	22.87%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

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

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 1,707,300	\$ 1,720,536	\$ 13,236
Interest and penalties	3,000	2,942	(58)
Total	<u>1,710,300</u>	<u>1,723,478</u>	<u>13,178</u>
Other taxes and licenses:			
Local option sales tax	670,000	734,480	64,480
Utility franchise tax	380,000	393,245	13,245
Occupancy tax	53,150	58,276	5,126
Privilege licenses	3,000	2,315	(685)
Disposal tax	2,530	2,530	-
Total	<u>1,108,680</u>	<u>1,190,846</u>	<u>82,166</u>
Unrestricted intergovernmental:			
Wine and beer taxes	19,000	15,002	(3,998)
Total	<u>19,000</u>	<u>15,002</u>	<u>(3,998)</u>
Restricted intergovernmental:			
Fire grants	232,607	235,462	2,855
Powell Bill	103,000	102,116	(884)
ABC Board profit distribution	19,500	25,937	6,437
Police grant	20,000	-	(20,000)
FEMA Radio Grant	103,500	103,376	(124)
Economic development	7,500	5,476	(2,024)
Total	<u>486,107</u>	<u>472,367</u>	<u>(13,740)</u>
Permits and fees:			
Recreation fees	110,674	108,214	(2,460)
Payments in lieu of taxes	117,500	116,174	(1,326)
Library fees	14,550	14,879	329
Court costs	4,465	4,465	-
Building permits	54,500	57,435	2,935
Golf cart permits	19,200	12,260	(6,940)
Garbage fees	410,250	412,661	2,411
Museum income	69,166	66,519	(2,647)
Rental income	38,150	32,052	(6,098)
Fire inspection fees	10,000	8,570	(1,430)
Total	<u>848,455</u>	<u>833,229</u>	<u>(15,226)</u>
Investment earnings	<u>18,825</u>	<u>11,490</u>	<u>(7,335)</u>
Miscellaneous	<u>127,210</u>	<u>118,397</u>	<u>(8,813)</u>
Total revenues	<u>4,318,577</u>	<u>4,364,809</u>	<u>46,232</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 19,055	\$ 18,641	\$ 414
Operating expenses	25,500	14,791	10,709
Total	<u>44,555</u>	<u>33,432</u>	<u>11,123</u>
Administration:			
Salaries and employee benefits	167,350	153,049	14,301
Operating expenses	509,210	458,961	50,249
Capital outlay	2,059	2,059	-
Total	<u>678,619</u>	<u>614,069</u>	<u>64,550</u>
Total general government	<u>723,174</u>	<u>647,501</u>	<u>75,673</u>
Public safety:			
Inspections, zoning and safety:			
Salaries and employee benefits	184,790	179,422	5,368
Operating expenses	59,560	66,209	(6,649)
Capital outlay	5,250	5,105	145
Total	<u>249,600</u>	<u>250,736</u>	<u>(1,136)</u>
Police:			
Salaries and employee benefits	873,693	811,984	61,709
Operating expenses	121,800	94,054	27,746
Capital outlay	83,026	76,998	6,028
Total	<u>1,078,519</u>	<u>983,036</u>	<u>95,483</u>
Fire:			
Salaries and employee benefits	196,382	198,566	(2,184)
Operating expenses	220,806	186,287	34,519
Capital outlay	495,984	27,225	468,759
Volunteer firemen	95,874	95,873	1
Total	<u>1,009,046</u>	<u>507,951</u>	<u>501,095</u>
Total public safety	<u>2,337,165</u>	<u>1,741,723</u>	<u>595,442</u>
Public works:			
Municipal buildings:			
Salaries and employee benefits	33,385	26,699	6,686
Operating expenses	231,218	227,024	4,194
Capital outlay	6,500	-	6,500
Total	<u>271,103</u>	<u>253,723</u>	<u>17,380</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Continued)

	Budget	Actual	Variance Positive (Negative)
Central maintenance			
Salaries and employee benefits	\$ 5,500	\$ 5,304	\$ 196
Operating expenses	3,500	2,847	653
Capital Outlay	10,500	8,545	1,955
Total	<u>19,500</u>	<u>16,696</u>	<u>2,804</u>
Municipal grounds:			
Salaries and employee benefits	114,500	113,100	1,400
Operating expenses	-	-	-
Capital Outlay	-	-	-
Total	<u>114,500</u>	<u>113,100</u>	<u>1,400</u>
 Total public works	 <u>405,103</u>	 <u>383,519</u>	 <u>21,584</u>
Transportation:			
Streets:			
Salaries and employee benefits	-	-	-
Operating expenses	134,898	119,056	15,842
Capital outlay -	5,000	-	5,000
Total	<u>139,898</u>	<u>119,056</u>	<u>20,842</u>
Street Lights:			
Utilities	65,500	63,686	1,814
Total	<u>65,500</u>	<u>63,686</u>	<u>1,814</u>
 Total transportation	 <u>205,398</u>	 <u>182,742</u>	 <u>22,656</u>
Environmental protection:			
Sanitation:			
Contracted services	357,100	378,469	(21,369)
Tipping fees	6,500	640	5,860
Total	<u>363,600</u>	<u>379,109</u>	<u>(15,509)</u>
 Total environmental protection	 <u>363,600</u>	 <u>379,109</u>	 <u>(15,509)</u>
Cultural and recreational:			
Library:			
Salaries and employee benefits	104,308	105,146	(838)
Operating expenses	35,739	31,490	4,249
Capital outlay	3,000	2,390	610
Total	<u>143,047</u>	<u>139,026</u>	<u>4,021</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Continued)

	Budget	Actual	Variance Positive (Negative)
Museum:			
Salaries and employee benefits	\$ 46,659	\$ 39,453	\$ 7,206
Operating expenses	20,507	17,083	3,424
Capital outlay	2,000	1,271	729
Total	<u>69,166</u>	<u>57,807</u>	<u>11,359</u>
Parks and recreation:			
Salaries and employee benefits	276,124	263,602	12,522
Operating expenses	275,899	243,422	32,477
Capital outlay	2,600	2,553	47
Total	<u>554,623</u>	<u>509,577</u>	<u>45,046</u>
Cemetery:			
Operating expenses	7,200	3,500	3,700
Total	<u>7,200</u>	<u>3,500</u>	<u>3,700</u>
Total cultural and recreation	<u>774,036</u>	<u>709,910</u>	<u>64,126</u>
Debt service:			
Principal	69,276	69,005	271
Interest	44,369	44,639	(270)
Total	<u>113,645</u>	<u>113,644</u>	<u>1</u>
Total expenditures	<u>4,922,121</u>	<u>4,158,148</u>	<u>763,973</u>
Revenues over (under) expenditures	(603,544)	206,661	810,205
Other financing sources (uses):			
Transfers from other funds	-	-	-
Transfers to other funds:	(607,938)	(607,938)	-
Insurance recovery	448,530	448,530	-
Total	<u>(159,408)</u>	<u>(159,408)</u>	<u>-</u>
Fund balance appropriated	<u>762,952</u>	<u>-</u>	<u>762,952</u>
Net change in fund balance	<u>\$ -</u>	47,253	<u>\$ 47,253</u>
Fund balance, beginning		<u>2,204,942</u>	
Fund balance, ending		<u>\$ 2,252,195</u>	

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

Schedule 7

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 267,191	\$ 662,828	\$ 930,019
Cash and cash equivalents, restricted	8,622	-	8,622
Accounts receivable	1	-	1
Due from other governments	838	-	838
	<u>276,652</u>	<u>-</u>	<u>838</u>
Total assets	<u>\$ 276,652</u>	<u>\$ 662,828</u>	<u>\$ 939,480</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Restricted, other	8,622	-	8,622
Committed, other	267,191	662,828	930,019
Unassigned	839	-	839
Total fund balances	<u>276,652</u>	<u>662,828</u>	<u>939,480</u>
Total liabilities and fund balances	<u>\$ 276,652</u>	<u>\$ 662,828</u>	<u>\$ 939,480</u>

TOWN OF BENSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

Schedule 8

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Restricted intergovernmental	\$ -	\$ -	\$ -
Investment earnings	-	815	815
Miscellaneous	5,810	10,250	16,060
	<u>5,810</u>	<u>10,250</u>	<u>16,060</u>
Total revenues	<u>5,810</u>	<u>11,065</u>	<u>16,875</u>
EXPENDITURES			
General government	26,514	-	26,514
Transportation	-	12,995	12,995
Public Safety	-	-	-
Cultural and recreational	-	17,663	17,663
Debt service : Principal	-	-	-
	<u>26,514</u>	<u>30,658</u>	<u>57,172</u>
Total expenditures	<u>26,514</u>	<u>30,658</u>	<u>57,172</u>
Excess (deficiency) of revenues over expenditures	<u>(20,704)</u>	<u>(19,593)</u>	<u>(40,297)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	-	482,156	482,156
Transfers to other funds	-	(131,719)	(131,719)
Insurance recovery	280,000	-	280,000
	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Net changes in fund balances	259,296	330,844	590,140
Fund balances, beginning	<u>17,356</u>	<u>331,984</u>	<u>349,340</u>
Fund balances, ending	<u><u>\$ 276,652</u></u>	<u><u>\$ 662,828</u></u>	<u><u>\$ 939,480</u></u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 9

Special Revenue Fund - USDA Grant Fund

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
US Department of Agriculture	\$ 60,000	\$ 25,000	\$ -	\$ 25,000	\$ (35,000)
Loan repayment	-	28,728	5,810	34,538	34,538
Total revenues	60,000	53,728	5,810	59,538	(462)
Expenditures:					
Economic development loans	60,000	50,915	-	50,915	9,085
Total expenditures	60,000	50,915	-	50,915	9,085
Revenues over (under) expenditures	-	2,813	5,810	8,623	8,623
Net change in fund balance	\$ -	\$ 2,813	5,810	\$ 8,623	\$ 8,623
Fund balance, beginning			2,813		
Fund balance, ending			\$ 8,623		

TOWN OF BENSON, NORTH CAROLINA
Special Revenue Fund - Hurricane Matthew Insurance Proceeds
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

Schedule 10

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

TOWN OF BENSON, NORTH CAROLINA
Special Revenue Fund - Hurricane Florence Insurance Proceeds
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

Schedule 11

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Expenditures	\$ 280,000	\$ -	\$ 11,971	\$ 11,971	\$ 268,029
Total expenditures	280,000	-	11,971	11,971	268,029
Revenues over (under) expenditures	(280,000)	-	(11,971)	(11,971)	(268,029)
Other Financing Sources:					
Insurance recovery	280,000	-	280,000	280,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	268,029	<u>\$ (11,971)</u>	<u>\$ 268,029</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 268,029</u>		

TOWN OF BENSON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2019

Schedule 12

	Street Paving Project	Community Park Improvement Project	Library Rehab Project	Voluntary Demolition Project	Interstate 95 Widening Project	Capital Reserve	BFA Lighting System	2019 Street Paving Project	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 31,963	\$ 101,555	\$ 35,000	\$ 3,338	\$ 19,652	\$ 223,254	\$ 775	\$ 247,291	\$ 662,828
Due from other governments	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 31,963</u>	<u>\$ 101,555</u>	<u>\$ 35,000</u>	<u>\$ 3,338</u>	<u>\$ 19,652</u>	<u>\$ 223,254</u>	<u>\$ 775</u>	<u>\$ 247,291</u>	<u>\$ 662,828</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities									
FUND BALANCES									
Restricted:									
Committed, other	31,963	101,555	35,000	3,338	19,652	223,254	775	247,291	662,828
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>31,963</u>	<u>101,555</u>	<u>35,000</u>	<u>3,338</u>	<u>19,652</u>	<u>223,254</u>	<u>775</u>	<u>247,291</u>	<u>662,828</u>
Total liabilities and fund balances	<u>\$ 31,963</u>	<u>\$ 101,555</u>	<u>\$ 35,000</u>	<u>\$ 3,338</u>	<u>\$ 19,652</u>	<u>\$ 223,254</u>	<u>\$ 775</u>	<u>\$ 247,291</u>	<u>\$ 662,828</u>

TOWN OF BENSON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2019

Schedule 13

	Street Paving Project	Community Park Improvement Project	Library Rehab Project	Voluntary Demolition Project	Interstate 95 Widening Project	Capital Reserve	BFA Lighting System	2019 Street Paving Project	Total Nonmajor Governmental Funds
REVENUES									
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-	815	-	-	815
Miscellaneous	-	-	-	-	-	10,250	-	-	10,250
Total revenues	-	-	-	-	-	11,065	-	-	11,065
EXPENDITURES									
Transportation	(4,000)	-	-	-	16,995	-	-	-	12,995
Public Safety	-	-	-	-	-	-	-	-	-
Cultural and recreational	-	17,663	-	-	-	-	-	-	17,663
Total expenditures	(4,000)	17,663	-	-	16,995	-	-	-	30,658
Excess (deficiency) of revenues over expenditures	4,000	(17,663)	-	-	(16,995)	11,065	-	-	(19,593)
OTHER FINANCING SOURCES (USES)									
Transfers (to) from other funds									
General Fund	-	119,218	35,000	-	36,647	(87,719)	-	247,291	350,437
Net change in fund balance	4,000	101,555	35,000	-	19,652	(76,654)	-	247,291	330,844
Fund balances, beginning	27,963	-	-	3,338	-	299,908	775	-	331,984
Fund balances, ending	\$ 31,963	\$ 101,555	\$ 35,000	\$ 3,338	\$ 19,652	\$ 223,254	\$ 775	\$ 247,291	\$ 662,828

TOWN OF BENSON, NORTH CAROLINA

Schedule 14

Street Paving Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Paving	\$ 371,153	\$ 413,766	\$ (4,000)	\$ 409,766	\$ (38,613)
Total expenditures	371,153	413,766	(4,000)	409,766	(38,613)
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	371,153	441,729	-	441,729	70,576
Total other financing sources (uses)	371,153	441,729	-	441,729	70,576
Net change in fund balance	\$ -	\$ 27,963	4,000	\$ 31,963	\$ 31,963
Fund balance, beginning			27,963		
Fund balance, ending			\$ 31,963		

TOWN OF BENSON, NORTH CAROLINA

Schedule 15

Community Park Improvement Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Community Park improvement expenses:	\$ 128,693	\$ -	\$ 17,663	\$ 17,663	\$ 111,030
Total expenditures	128,693	-	17,663	17,663	111,030
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	128,693	-	119,218	119,218	(9,475)
Total other financing sources (uses)	128,693	-	119,218	119,218	(9,475)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	101,555	<u>\$ 101,555</u>	<u>\$ 101,555</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 101,555</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 16

Library Rehab Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Library rehab expenses	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
Total expenditures	35,000	-	-	-	35,000
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	35,000	-	35,000	35,000	-
Total other financing sources (uses)	35,000	-	35,000	35,000	-
Net change in fund balance	\$ -	\$ -	35,000	\$ 35,000	\$ 35,000
Fund balance, beginning			-		
Fund balance, ending			\$ 35,000		

TOWN OF BENSON, NORTH CAROLINA

Schedule 17

Voluntary Demolition Project

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

From Inception and For the Year Ended June 30, 2019

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

TOWN OF BENSON, NORTH CAROLINA

Schedule 18

Interstate 95 Widening Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Highway widening expenses	\$ 36,647	\$ -	\$ 16,995	\$ 16,995	\$ 19,652
Total expenditures	36,647	-	16,995	16,995	19,652
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	36,647	-	36,647	36,647	-
Total other financing sources (uses)	36,647	-	36,647	36,647	-
Net change in fund balance	\$ -	\$ -	19,652	\$ 19,652	\$ 19,652
Fund balance, beginning			-		
Fund balance, ending			\$ 19,652		

TOWN OF BENSON, NORTH CAROLINA

Schedule 19

Capital Reserve Fund

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

From Inception and For the Year Ended June 30, 2019

With Comparative Totals from June 30, 2018

	2019			2018
	Budget	Actual	Variance Over / Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 815	\$ 815	\$ 1,219
Miscellaneous	-	10,250	10,250	29,159
Total revenues	-	11,065	11,065	30,378
Transfers (to) from general fund	-	(87,719)	(87,719)	-
Net change in fund balance	<u>\$ -</u>	<u>(76,654)</u>	<u>\$ (76,654)</u>	30,378
Fund balance, beginning		299,908		269,530
Fund balance, ending		<u>\$ 223,254</u>		<u>\$ 299,908</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 20

BFA Lighting System Project

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

From Inception and For the Year Ended June 30, 2019

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

TOWN OF BENSON, NORTH CAROLINA

Schedule 21

2019 Street Paving Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 102,116	\$ -	\$ -	\$ -	\$ (102,116)
Total revenues	102,116	-	-	-	(102,116)
Expenditures:					
Construction	247,291	-	-	-	247,291
Total expenditures	247,291	-	-	-	247,291
Revenues over (under) expenditures	(145,175)	-	-	-	145,175
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	145,175	-	247,291	247,291	102,116
Total other financing sources (uses)	145,175	-	247,291	247,291	102,116
Net change in fund balance	<u>\$ (145,175)</u>	<u>\$ -</u>	<u>\$ 247,291</u>	<u>\$ -</u>	<u>\$ 145,175</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 247,291</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 22

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electric sales	\$ 4,716,930	\$ 4,698,588	\$ (18,342)
Cut out / late charges	16,000	16,718	718
Other operating charges	63,085	68,899	5,814
Total operating revenues	<u>4,796,015</u>	<u>4,784,205</u>	<u>(11,810)</u>
Nonoperating revenues:			
Interest earnings	3,200	3,597	397
Total revenues	<u>4,799,215</u>	<u>4,787,802</u>	<u>(11,413)</u>
Expenditures:			
Salaries and employee benefits	588,137	594,453	(6,316)
Power purchased	3,061,630	3,104,896	(43,266)
Operating expenditures	863,990	781,869	82,121
Equipment and line improvements	285,458	217,692	67,766
Total expenditures	<u>4,799,215</u>	<u>4,698,910</u>	<u>100,305</u>
Revenues over (under) expenditures	<u>-</u>	<u>88,892</u>	<u>88,892</u>
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital projects	-	-	-
General fund	-	-	-
Appropriated fund balance	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>88,892</u>	<u>\$ 88,892</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(50,473)	
Deferred outflows of resources for contributions made to pension plan in the current year		(3,767)	
Pension expense		30,034	
Change in accrued vacation		(933)	
Change in OPEB		<u>3,772</u>	
Change in net position		<u>\$ 67,525</u>	

TOWN OF BENSON, NORTH CAROLINA

Schedule 23

Load Management Project

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

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Load management expenses	\$ 300,000	\$ 276,853	\$ 6,935	\$ 283,788	\$ 16,212
Total expenditures	300,000	276,853	6,935	283,788	16,212
Other Financing Sources (Uses)					
Transfers in (out)					
Electric Fund	300,000	300,000	-	300,000	-
Total other financing sources (uses)	300,000	300,000	-	300,000	-
Net change in fund balance	\$ -	\$ 23,147	(6,935)	\$ 16,212	\$ 16,212
Fund balance, beginning			22,607		
Fund balance, ending			\$ 15,672		

Leath Co Project

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

From Inception and For the Year Ended June 30, 2019

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

TOWN OF BENSON, NORTH CAROLINA

Schedule 25

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,411,000	\$ 1,402,472	\$ (8,528)
Sewer charges	1,536,370	1,530,234	(6,136)
Water and sewer taps	24,080	11,470	(12,610)
Other operating charges	240,586	200,966	(39,620)
Total operating revenues	<u>3,212,036</u>	<u>3,145,142</u>	<u>(66,894)</u>
Nonoperating revenues:			
Interest earnings	3,700	3,982	282
Total revenues	<u>3,215,736</u>	<u>3,149,124</u>	<u>(66,612)</u>
Expenditures:			
General operations:			
Salaries and employee benefits	540,239	520,157	20,082
Operating expenditures	596,075	565,367	30,708
Maintenance and repairs	38,000	37,732	268
Capital outlay	108,520	24,644	83,876
Total expenditures	<u>1,282,834</u>	<u>1,147,900</u>	<u>134,934</u>
Water distribution:			
Salaries and employee benefits	8,000	29,548	(21,548)
Water purchases	680,000	658,554	21,446
Supplies	20,410	18,829	1,581
Maintenance and repairs	22,000	16,449	5,551
Equipment and line repairs	-	55,931	(55,931)
Capital outlay	-	807,545	(807,545)
Total expenditures	<u>730,410</u>	<u>1,586,856</u>	<u>(856,446)</u>
Waste water collection:			
Salaries and employee benefits	562,529	565,023	(2,494)
Supplies	433,080	482,389	(49,309)
Maintenance and repairs	317,856	210,166	107,690
Other operating expenditures	60,637	21,089	39,548
Total expenditures	<u>1,374,102</u>	<u>1,278,667</u>	<u>95,435</u>
Debt services:			
Principal retirement	240,365	181,006	59,359
Interest and other charges	119,207	119,207	-
	<u>359,572</u>	<u>300,213</u>	<u>59,359</u>
Total expenditures	<u>3,746,918</u>	<u>4,313,636</u>	<u>(566,718)</u>
Revenues over (under) expenditures	<u>(531,182)</u>	<u>(1,164,512)</u>	<u>(633,330)</u>

TOWN OF BENSON, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfers (to) from other funds:			
Other funds	\$ (22,500)	\$ -	\$ 22,500
Capital contributions	-	430,032	430,032
Appropriated fund balance	82,432	-	(82,432)
Total	<u>59,932</u>	<u>430,032</u>	<u>370,100</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (471,250)</u>	(734,480)	<u>\$ (263,230)</u>

**Reconciliation from budgetary basis (modified accrual)
to full accrual:**

Reconciling items:

Principal retirement	181,006
Capital outlay	832,189
Depreciation	(385,328)
Change in deferred outflow of resources	77,123
Change in pension liability	(91,952)
Change in accrued vacation	63
Change in deferred inflows of resources	342
Change in OPEB liability	(21,754)
Miscellaneous	<u>11,534</u>
Change in net position	<u>\$ (131,257)</u>

TOWN OF BENSON, NORTH CAROLINA

Schedule 26

Water and Sewer Capital Projects Fund

AMI Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

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

TOWN OF BENSON, NORTH CAROLINA

Schedule 27

Water and Sewer Capital Projects Fund

WWTP Pump Station Project (Fund 88)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Paving	\$2,802,000	\$2,445,345	\$ 334,669	\$2,780,014	\$ 21,986
Total expenditures	2,802,000	2,445,345	334,669	2,780,014	21,986
Revenues over (under) expenditures	(2,802,000)	(2,445,345)	(334,669)	(2,780,014)	(21,986)
Other Financing Sources (Uses)					
Transfers from (to) other funds	-	(44,793)	-	(44,793)	(44,793)
USDA Loan	2,802,000	2,802,000	-	2,802,000	-
Total other financing sources (uses)	2,802,000	2,757,207	-	2,757,207	(44,793)
Net change in fund balance	\$ -	\$ 311,862	(334,669)	\$ (22,807)	\$ (22,807)
Fund balance, beginning			311,862		
Fund balance, ending			\$ (22,807)		

TOWN OF BENSON, NORTH CAROLINA

Schedule 28

Water and Sewer Capital Projects Fund

Storm Water H&H Study (Fund 401)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019**

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

OTHER SCHEDULES

TOWN OF BENSON, NORTH CAROLINA

Schedule 29

Water and Sewer Capital Projects Fund

Stormwater Infrastructure Rehabilitation (Fund 81)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 585,187	\$ 62,877	\$ 251,989	\$ 314,866	\$ (270,321)
Total expenditures	585,187	62,877	251,989	314,866	(270,321)
Revenues over (under) expenditures	(585,187)	(62,877)	(251,989)	(314,866)	270,321
Other Financing Sources (Uses)					
Golden Leaf Foundation	585,187	-	252,409	252,409	332,778
Total other financing sources (uses)	585,187	-	252,409	252,409	332,778
Net change in fund balance	<u>\$ -</u>	<u>\$ (62,877)</u>	420	<u>\$ (62,457)</u>	<u>\$ (62,457)</u>
Fund balance, beginning			<u>(62,877)</u>		
Fund balance, ending			<u>\$ (62,457)</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 30

Water and Sewer Capital Projects Fund

Public Works Building Replacement (Fund 83)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 500,000	\$ 171,203	\$ 15,787	\$ 186,990	\$ (313,010)
Total expenditures	500,000	171,203	15,787	186,990	(313,010)
Revenues over (under) expenditures	(500,000)	(171,203)	(15,787)	(186,990)	313,010
Other Financing Sources (Uses)					
Golden Leaf Foundation	500,000	-	177,623	177,623	322,377
Total other financing sources (uses)	500,000	-	177,623	177,623	322,377
Net change in fund balance	<u>\$ -</u>	<u>\$ (171,203)</u>	161,836	<u>\$ (9,367)</u>	<u>\$ (9,367)</u>
Fund balance, beginning			<u>(171,203)</u>		
Fund balance, ending			<u>\$ (9,367)</u>		

TOWN OF BENSON, NORTH CAROLINA

Schedule 31

Water and Sewer Capital Projects Fund

AIA Project (Fund 46)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
AIA Expenses	\$ 172,500	\$ 30,492	\$ 144,232	\$ 174,724	\$ (2,224)
Total expenditures	172,500	30,492	144,232	174,724	(2,224)
Revenues over (under) expenditures	(172,500)	(30,492)	(144,232)	(174,724)	(2,224)
Other Financing Sources (Uses)					
AIA Grant	150,000	-	144,556	144,556	(5,444)
Town of Benson contribution	22,500	22,500	-	22,500	-
Total other financing sources (uses)	172,500	22,500	144,556	167,056	(5,444)
Net change in fund balance	\$ -	\$ (7,992)	324	\$ (7,668)	\$ (7,668)
Fund balance, beginning			(7,992)		
Fund balance, ending			\$ (7,668)		

TOWN OF BENSON, NORTH CAROLINA

Schedule 32

Water and Sewer Capital Projects Fund

Sewer Check Valve Project (Fund 92)

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Water Infrastructure Grant	\$ 80,000	\$ -	\$ -	\$ -	\$ (80,000)
Total revenues	80,000	-	-	-	(80,000)
Expenditures:					
Expenses	80,000	7,984	53,430	61,414	(18,586)
Total expenditures	80,000	7,984	53,430	61,414	(18,586)
Revenues over (under) expenditures	-	(7,984)	(53,430)	(61,414)	(61,414)
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,984)</u>	(53,430)	<u>\$ (61,414)</u>	<u>\$ (61,414)</u>
Fund balance, beginning			(7,984)		
Fund balance, ending			<u>\$ (61,414)</u>		

TOWN OF BENSON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Schedule 33

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 1,731,023	\$ 1,728,802	\$ 2,221
2017-2018	1,604	-	137	1,467
2016-2017	857	-	14	843
2015-2016	1,144	-	-	1,144
2014-2015	1,216	-	-	1,216
2013-2014	1,592	-	37	1,555
2012-2013	2,838	-	21	2,817
2011-2012	2,924	-	-	2,924
2010-2011	2,771	-	-	2,771
2009-2010	3,131	-	-	3,131
2008-2009	127	-	-	127
	<u>\$ 18,204</u>	<u>\$ 1,731,023</u>	<u>\$ 1,729,011</u>	20,216
Less: allowance for uncollectible accounts:				
General Fund				<u>(5,264)</u>
Ad valorem taxes receivable - net				<u>\$ 14,952</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,723,478
Reconciling items:				
Other				<u>5,533</u>
Subtotal				<u>5,533</u>
Total collections and credits				<u>\$ 1,729,011</u>

TOWN OF BENSON, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2019

Schedule 34

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed					
at current rate	\$ 319,421,428	0.5400	\$ 1,724,876	\$ 1,574,479	\$ 150,397
Penalties, Licenses, etc.	-		5,395		
Discoveries - current and					
prior years	206,667	0.5400	1,116	1,116	-
Penalties	-		752		
Abatements	(206,667)	0.5400	\$ (1,116)	(1,116)	-
Total Property Valuation	<u>\$ 319,421,428</u>				
Net levy			1,731,023	1,574,479	150,397
Uncollected taxes at June 30, 2019			<u>2,221</u>	<u>2,221</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,728,802</u>	<u>\$ 1,572,258</u>	<u>\$ 150,397</u>
Current levy collection percentage			<u>99.86%</u>	<u>99.86%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benson ("the Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. 2019-001.

Compliance and Other Matters

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

Town of Benson's Response to Finding

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

Purpose of this Report

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

Rivers & Associates LLP

Raleigh, North Carolina
October 22, 2019



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Benson, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Benson's major federal programs for the year ended June 30, 2019. The Town of Benson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Town of Benson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Rivers & Associates LLP

Raleigh, North Carolina
October 22, 2019

TOWN OF BENSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over financial reporting:

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

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

Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ x _____	no
--	-------	-----	----------------------	----

<u>CFDA No(s).</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee	_____	yes	_____ x _____	no
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State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF BENSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Criteria: North Carolina General Statutes preclude units from having investments in preferred stock.

Condition: In the current year, the Town had investments in preferred stock for the J.L. George Endowment Beautification Grant Trust Fund, the Town's only Fiduciary Fund, which is a violation of General Statutes.

Effect: The Town was in violation of North Carolina General Statutes.

Cause: The Town had investments in preferred stock for the J.L. George Endowment Beautification Grant Trust Fund.

Context: During our audit procedures, we noted that the Town had investments in preferred stock.

Recommendation: The Town should convert its shares of preferred stock into securities that are in compliance with North Carolina General Statutes.

Name of Contact Person: Kimberly Pickett, Finance Officer

Corrective Action/Management Response: The Town will consider converting its shares of preferred stock into securities that are in compliance with State statutes.

MAYOR
JERRY M. MEDLIN

MAYOR PRO-TEM
CASANDRA P. STACK

COMMISSIONER
MAXINE HOLLEY
JAMES D. JOHNSON
DEAN MCLAMB
WILLIAM NEIGHBORS
DR. R. MAX RAYNOR



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FREDERICK NELSON

ASSISTANT TOWN MANAGER
KIMBERLY PICKETT

TOWN CLERK
NANCY CROUSE

TOWN ATTORNEY
R. ISAAC PARKER

TOWN OF BENSON, NORTH CAROLINA
Corrective Action Plan
For the Year Ended June 30, 2019
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Name of contact person: Kimberly Pickett, Assistant Town Manager/Finance Officer

Corrective action: The Town of Benson will consider converting its shares of preferred stock into securities that are in compliance with State statutes.

Proposed completion date: Immediately

TOWN OF BENSON, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2019

Finding 2018-001

Status: Repeated finding as 2019-001

TOWN OF BENSON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities	10.760	XXX XXX	\$ 2,749,000
Total federal assistance			2,749,000
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Transportation</u>			
Powell Bill		38570	102,116
Total State assistance			102,116
Total federal and State assistance			\$ 2,851,116

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Benson, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2: Summary of Significant Accounting Policies

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

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

Note 3: Loans Outstanding

The Town of Benson had the following loan balances at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of they year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 2,749,000</u>
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