

Town of Williamston

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



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Town of Williamston, North Carolina
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June 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Williamston, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Williamston, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Williamston, North Carolina, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IX in the financial statements, the Town of Williamston, North Carolina adopted Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The Town also adopted Governmental Accounting Standards Board Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4.1 through 4.10, the Other Postemployment Benefits' Schedules of Funding Progress, Employer Contributions, Changes in the Net OPEB Liability, and the Net OPEB Liability on pages 21 through 24, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 25 and 26, respectively, 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 pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, on our consideration of the Town of Williamston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Williamston's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

Wilson, North Carolina
August 10, 2018

Management's Discussion and Analysis

Town of Williamston, North Carolina

Management's Discussion and Analysis

June 30, 2017

As management of the Town of Williamston, we offer readers of the Town of Williamston's financial statements this narrative overview and analysis of the financial activities of the Town of Williamston for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

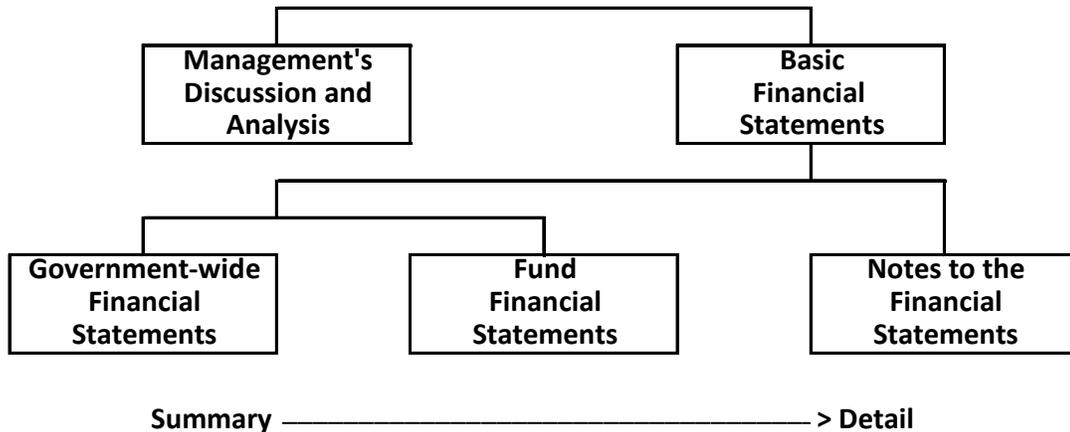
Financial Highlights

- The assets and deferred outflows of resources of the Town of Williamston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,847,359 (*net position*).
- The government's total net position increased by \$658,041, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Williamston's governmental funds reported combined ending fund balances of \$4,129,432, an increase of \$571,164. Approximately 22.24 percent of this total amount, or \$918,431, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,094,246, or 57.39% of total general fund expenditures for the fiscal year.
- The Town of Williamston's total debt increased by \$2,029,101 (42.5%) during the current fiscal year. Governmental activity debt increased \$647,331 while Water and Sewer debt increased \$1,381,770. The key factors in this increase were the issuance of \$110,000 installment purchase debt related to police cars, \$600,000 installment purchase debt related to streets, and \$2,126,841 in draws on a NC Clean Water State Revolving Loan.

Overview of the Financial Statements

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

Figure 1
Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2017

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

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

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

Fund Financial Statements

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

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

Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2017

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

Proprietary Funds – Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Williamston uses an enterprise funds to account for its water and sewer and storm water activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Williamston has two fiduciary funds, an Other Post-Employment Benefits Trust Fund and a Private Purpose Trust Fund related to library maintenance.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20.1 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Williamston's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 21 of this report.

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

Town of Williamston, North Carolina
Management's Discussion and Analysis
June 30, 2017

Government-Wide Financial Analysis

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,853,672	\$ 4,353,092	\$ 7,962,375	\$ 7,694,020	\$ 12,816,047	\$ 12,047,112
Capital assets	10,300,460	10,183,157	13,210,511	11,390,429	23,510,971	21,573,586
Deferred outflows of resources	861,123	188,847	133,389	29,221	994,512	218,068
Total assets and deferred outflows of resources	<u>16,015,255</u>	<u>14,725,096</u>	<u>21,306,275</u>	<u>19,113,670</u>	<u>37,321,530</u>	<u>33,838,766</u>
Current liabilities	514,531	542,424	880,937	919,934	1,395,468	1,462,358
Long-term liabilities	3,380,192	1,684,347	5,628,922	4,055,406	9,009,114	5,739,753
Deferred inflows of resources	63,415	118,216	6,174	17,368	69,589	135,584
Total liabilities and deferred inflows of resources	<u>3,958,138</u>	<u>2,344,987</u>	<u>6,516,033</u>	<u>4,992,708</u>	<u>10,474,171</u>	<u>7,337,695</u>
Net position:						
Net investment in capital assets	9,529,129	10,059,157	7,172,680	6,734,369	16,701,809	16,793,526
Restricted	876,112	834,884	-	-	876,112	834,884
Unrestricted	1,651,876	1,174,315	7,617,562	7,386,593	9,269,438	8,560,908
Total net position	<u>\$ 12,057,117</u>	<u>\$ 12,068,356</u>	<u>\$ 14,790,242</u>	<u>\$ 14,120,962</u>	<u>\$ 26,847,359</u>	<u>\$ 26,189,318</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 Williamston exceeded liabilities and deferred inflows by \$26,847,359 as of June 30, 2017. The Town's net position increased by \$658,041 for the fiscal year ended June 30, 2017. However, the largest portion (62.21%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Williamston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Williamston's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Williamston's net position, \$876,112, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,269,438 is unrestricted.

Several particular aspects of the Town's financial operations influenced its government-wide net position components:

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

Town of Williamston, North Carolina
Management's Discussion and Analysis
June 30, 2017

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program revenues:						
Charges for services	\$ 588,988	\$ 493,754	\$ 4,444,856	\$ 4,714,028	\$ 5,033,844	\$ 5,207,782
Operating grants & contributions	1,071,206	784,510	7,995	-	1,079,201	784,510
Capital grants & contributions	-	414,665	84,900	36,693	84,900	451,358
General revenues:						
Property taxes	2,850,635	2,845,965	-	-	2,850,635	2,845,965
Other taxes	1,209,745	1,055,608	-	-	1,209,745	1,055,608
Grants and contributions not restricted to specific programs	478,279	494,900	-	-	478,279	494,900
Unrestricted investment earnings	18,198	6,879	38,721	20,110	56,919	26,989
Miscellaneous	44,574	31,990	1,614	1,377	46,188	33,367
Total revenues	6,261,625	6,128,271	4,578,086	4,772,208	10,839,711	10,900,479
EXPENSES:						
Governmental activities:						
General government	545,279	590,073	-	-	545,279	590,073
Public safety	3,162,687	2,970,790	-	-	3,162,687	2,970,790
Transportation	767,747	706,033	-	-	767,747	706,033
Economic and physical development	101,698	120,869	-	-	101,698	120,869
Environmental protection	827,307	613,484	-	-	827,307	613,484
Cultural and recreational	880,501	845,195	-	-	880,501	845,195
Interest on long-term debt	6,839	10,977	-	-	6,839	10,977
Business-type activities:						
Water and sewer	-	-	3,889,612	4,133,863	3,889,612	4,133,863
Storm Water	-	-	-	-	-	-
Total expenses	6,292,058	5,857,421	3,889,612	4,133,863	10,181,670	9,991,284
Increase (decrease) in net position before transfers	(30,433)	270,850	688,474	638,345	658,041	909,195
Transfers	-	(65,000)	-	65,000	-	-
Transfers of capital assets and related debt	19,194	-	(19,194)	-	-	-
Increase (decrease) in net position	(11,239)	205,850	669,280	703,345	658,041	909,195
NET POSITION, BEGINNING, PREVIOUSLY REPORTED	12,068,356	12,174,259	14,120,962	13,417,617	26,189,318	25,591,876
Restatement	-	(311,753)	-	-	-	(311,753)
NET POSITION, BEGINNING, RESTATED	12,068,356	11,862,506	14,120,962	13,417,617	26,189,318	25,280,123
NET POSITION, ENDING	\$ 12,057,117	\$ 12,068,356	\$ 14,790,242	\$ 14,120,962	\$ 26,847,359	\$ 26,189,318

Governmental activities: Governmental activities decreased the Town's net position by (\$11,239). The key elements of this decrease are as follows:

- Increases in public safety, transportation, environmental protection, and cultural and recreational expenses.

Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2017

Business-type activities: Business-type activities increased the Town of Williamston's net position by \$669,280, accounting for 101.71% of the total growth in the government's net position. The key element of this increase is as follows:

- Capital contributions in the amount of \$84,900.
- Decreased operating expenses for business-type activities also positively affected the Town's net position.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Williamston. At the end of the current fiscal year, the Town of Williamston's fund balance unassigned in the General Fund was \$3,094,246, while total fund balance reached \$4,033,832. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57.39% of total General Fund expenditures, while total fund balance represents 74.81% of that same amount.

At June 30, 2017, the governmental funds of the Town of Williamston reported a combined fund balance of \$4,129,432, with a net increase in fund balance of \$571,164. Included in this change in fund balance are an increase in the fund balance in the General Fund and a decrease in the other governmental funds.

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

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

Proprietary Funds. The Town of Williamston's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$7,617,562. The total increase in net position for the fund was \$669,280. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Williamston's business-type activities.

Town of Williamston, North Carolina
Management's Discussion and Analysis
June 30, 2017

Capital Asset and Debt Administration

Capital assets. The Town of Williamston's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$23,510,972 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, park facilities, and vehicles.

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

- Land and current year construction in progress of \$655,086 in governmental-type activities for various infrastructure assets.
- Current year capital asset additions of \$269,616 in governmental-type activities.
- Current year construction in progress of \$2,308,374 in business-type activities for various infrastructure assets.
- Current year capital asset additions of \$198,786 in business-type activities.

SUMMARY OF CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 733,411	\$ 722,864	\$ 112,022	\$ 112,022	\$ 845,433	\$ 834,886
Buildings	938,205	1,028,526	104,489	86,876	1,042,694	1,115,402
Land improvements	1,076,859	1,137,923	-	-	1,076,859	1,137,923
Plant & distribution/ collection systems	-	-	8,970,337	9,538,455	8,970,337	9,538,455
Equipment & furniture	526,960	642,257	142,984	117,132	669,944	759,389
Vehicles & motorized equipment	1,011,944	1,130,955	154,545	118,184	1,166,489	1,249,139
Infrastructure	4,557,472	4,709,562	-	-	4,557,472	4,709,562
Construction in progress	1,455,609	811,070	3,726,134	1,417,760	5,181,743	2,228,830
TOTALS	\$ 10,300,460	\$ 10,183,157	\$ 13,210,511	\$ 11,390,429	\$ 23,510,971	\$ 21,573,586

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

Town of Williamston, North Carolina
Management's Discussion and Analysis
June 30, 2017

Long-Term Debt. As of June 30, 2017, the Town of Williamston had debt outstanding of \$6,809,162. Of this, \$771,331 represents governmental activities installment purchase financing debt and \$6,037,831, represents business-type activities debt related to water and sewer improvements.

TOWN OF WILLIAMSTON'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchase debt - fire truck	\$ 62,000	\$ 124,000	\$ -	\$ -	\$ 62,000	\$ 124,000
Installment purchase debt - police cars	109,331	-	-	-	109,331	-
Installment purchase debt - streets	600,000	-	-	-	600,000	-
NC Clean Water Revolving Loan	-	-	4,974,434	3,419,448	4,974,434	3,419,448
Drinking Water State Revolving Loan	-	-	1,063,397	1,125,950	1,063,397	1,125,950
Installment purchase debt - WWTP Chlorination	-	-	-	110,663	-	110,663
TOTALS	\$ 771,331	\$ 124,000	\$ 6,037,831	\$ 4,656,061	\$ 6,809,162	\$ 4,780,061

The Town of Williamston's total debt increased by \$2,029,101, (42.5%) during the current year, primarily due to \$2,126,841 in draws on a NC Clean Water Revolving Loan. The government also issued \$110,000 installment purchase debt related to police cars and \$600,000 installment purchase debt related to streets.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Williamston is \$23,509,314. The Town has no bonds authorized but un-issued at June 30, 2017.

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

Town of Williamston, North Carolina Management's Discussion and Analysis June 30, 2017

Economic Factors and Next Year's Budgets and Rates

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

- Commercial growth although slow remains steady. We have had several new businesses build in town and expect more new builds in the coming year. We have four major renovations planned in our downtown business district which could breathe new life into the downtown redevelopment effort. Our available retail space has diminished throughout all business districts. We continue to promote more investment in our downtown.
- The local unemployment rate remains steady from the previous year showing a stable local economy even though not growing to any great extent.
- County-wide property revaluation occurred this past year and provided a very slight increase in projected revenue which should also be reflected in the new budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Property taxes and revenues from unrestricted intergovernmental revenues are again expected to remain steady. Sales tax revenues are anticipated to increase slightly from last year due to continued sub-regional market growth and the State adjusting the distribution formula. We expect to see a very small increase in property tax revenues due to property tax revaluation, new tax rate, and business expansion within Town limits.

Budgeted expenditures in the General Fund are \$5,591,744. This is a slight decrease from last year partially due to reduced debt service. Debt service in the General Fund continues to decrease. This year our debt service liability equates to 2.3% of the budget; down slightly from 3% last year. Revenues as a result of vehicle license plate fees will help offset the debt associated with installment purchase debt acquired during the current year for street improvements in Annexation Area A.

Business-type Activities: Total budgeted expenditures for the Water and Sewer fund for the upcoming year are \$4,438,808. This is a slight decrease from the previous year due to the loss of Parkdale Yarn Mill water/sewer usage. A small increase in the per thousand gallons water rate is reflected in the budget due to our agreement to purchase 100% of our water from the Martin County Regional Water and Sewer Authority. With the water plant operational for a couple of years now the Town now has a good feel for the impact of this State mandate. Barring no major changes water rates should be stabilizing as a result of the water purchase agreement. Both the water and sewer rates will continue to be reevaluated annually for adequacy and possible adjustment up or down.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Williamston, P.O. Box 506, Williamston, NC 27892. One can also call (252)792-5142, visit our website www.townofwilliamston.com or send an email to brentkanipe@townofwilliamston.com for more information.

Town Council Members

Joyce Whichard-Brown, Mayor

Al R. Chesson, Mayor Pro Tem

Ronell Rodgers

Junious J. Horton

Jerry Knox

William Coffield

Administrative and Financial Staff

Brent Kanipe, Interim Town Administrator

Linda Harrison, Finance Officer

Tiffany White, Tax Collector

Basic Financial Statements

Town of Williamston, North Carolina
Statement of Net Position
June 30, 2017
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,421,850	\$ 6,949,080	\$ 10,370,930
Taxes receivable (net)	590,853	-	590,853
Accrued interest receivable on taxes	142,504	-	142,504
Accounts receivable (net)	1,550	269,215	270,765
Due from other governments	457,989	-	457,989
Internal balances	(203,516)	203,516	-
Inventories	6,887	-	6,887
Prepaid expenses	35,432	5,434	40,866
Restricted assets:			
Cash and cash equivalents	400,123	143,827	543,950
Due from other governments	-	391,303	391,303
Total current assets	4,853,672	7,962,375	12,816,047
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,189,020	3,838,156	6,027,176
Other capital assets, net of depreciation	8,111,440	9,372,355	17,483,795
Total capital assets	10,300,460	13,210,511	23,510,971
TOTAL ASSETS	15,154,132	21,172,886	36,327,018
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	861,123	133,389	994,512
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	168,003	20,981	188,984
Miscellaneous liabilities	12,845	-	12,845
Current portion of long-term liabilities	333,683	652,398	986,081
Payable from restricted assets	-	207,558	207,558
Total current liabilities	514,531	880,937	1,395,468
Long-term liabilities:			
Net pension liability	978,244	155,295	1,133,539
Total pension liability	339,901	-	339,901
Due in more than one year	2,062,047	5,473,627	7,535,674
TOTAL LIABILITIES	3,894,723	6,509,859	10,404,582
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	13,551	-	13,551
Pension deferrals	49,864	6,174	56,038
Total deferred inflows of resources	63,415	6,174	69,589
NET POSITION			
Net investment in capital assets	9,529,129	7,172,680	16,701,809
Restricted for:			
Stabilization by state statute	459,539	-	459,539
Streets	416,573	-	416,573
Unrestricted	1,651,876	7,617,562	9,269,438
TOTAL NET POSITION	\$ 12,057,117	\$ 14,790,242	\$ 26,847,359

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2017
Exhibit 2

	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT:			
GOVERNMENTAL ACTIVITIES:			
General government	\$ 545,279	\$ 2,505	\$ -
Public safety	3,162,687	510,530	611,846
Transportation	767,747	400	192,510
Economic and physical development	101,698	-	16,100
Environmental protection	827,307	53,375	241,073
Cultural and recreational	880,501	22,178	9,677
Interest on long-term debt	6,839	-	-
Total governmental activities	6,292,058	588,988	1,071,206
BUSINESS-TYPE ACTIVITIES:			
Water and sewer	3,889,612	4,387,813	7,995
Storm water	-	57,043	-
Total primary government	\$ 10,181,670	\$ 5,033,844	\$ 1,079,201
		\$ 84,900	-

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2017
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT:			
GOVERNMENTAL ACTIVITIES:			
General government	\$ (542,774)	\$ -	\$ (542,774)
Public safety	(2,040,311)	-	(2,040,311)
Transportation	(574,837)	-	(574,837)
Economic and physical development	(85,598)	-	(85,598)
Environmental protection	(532,859)	-	(532,859)
Cultural and recreational	(848,646)	-	(848,646)
Interest on long-term debt	(6,839)	-	(6,839)
Total governmental activities	<u>(4,631,864)</u>	-	<u>(4,631,864)</u>
BUSINESS-TYPE ACTIVITIES:			
Water and sewer	-	591,096	591,096
Storm water	-	57,043	57,043
Total primary government	<u>(4,631,864)</u>	<u>648,139</u>	<u>(3,983,725)</u>
GENERAL REVENUES:			
Taxes:			
Property taxes, levied for general purpose	2,850,635	-	2,850,635
Other taxes	1,209,745	-	1,209,745
Grants & contributions not restricted to specific programs	478,279	-	478,279
Unrestricted investment earnings	18,198	38,721	56,919
Miscellaneous	44,574	1,614	46,188
Transfer of capital assets and related debt	19,194	(19,194)	-
Total general revenues and transfers	<u>4,620,625</u>	<u>21,141</u>	<u>4,641,766</u>
Change in net position	(11,239)	669,280	658,041
NET POSITION, BEGINNING, PREVIOUSLY REPORTED	12,380,109	14,120,962	26,501,071
Restatement	(311,753)	-	(311,753)
NET POSITION, BEGINNING, RESTATED	12,068,356	14,120,962	26,189,318
NET POSITION, ENDING	<u>\$ 12,057,117</u>	<u>\$ 14,790,242</u>	<u>\$ 26,847,359</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Governmental Funds
Balance Sheet
June 30, 2017
Exhibit 3

	Major Funds	Non-Major Funds	
	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,322,758	\$ 99,092	\$ 3,421,850
Restricted cash	400,123	-	400,123
Taxes receivable, net	590,853	-	590,853
Accounts receivable, net	1,550	-	1,550
Due from other governments	457,989	-	457,989
Inventories	6,887	-	6,887
Prepaid expenses	35,432	-	35,432
TOTAL ASSETS	<u>\$ 4,815,592</u>	<u>\$ 99,092</u>	<u>\$ 4,914,684</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 164,511	\$ 3,492	\$ 168,003
Miscellaneous liabilities	12,845	-	12,845
Total liabilities	<u>177,356</u>	<u>3,492</u>	<u>180,848</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	590,853	-	590,853
Prepaid taxes	13,551	-	13,551
Total deferred inflows of resources	<u>604,404</u>	<u>-</u>	<u>604,404</u>
FUND BALANCES			
Non spendable:			
Inventories	6,887	-	6,887
Prepaid expenses	35,432	-	35,432
Restricted:			
Stabilization by state statute	459,539	-	459,539
Streets	416,573	-	416,573
Assigned:			
Public safety	21,155	-	21,155
Transportation	-	90,461	90,461
Economic and physical development	-	5,139	5,139
Subsequent year's expenditures	-	-	-
Unassigned	3,094,246	-	3,094,246
Total fund balances	<u>4,033,832</u>	<u>95,600</u>	<u>4,129,432</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,815,592</u>	<u>\$ 99,092</u>	<u>\$ 4,914,684</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2017
Exhibit 4

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

Total fund balances of governmental funds		\$ 4,129,432
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 20,366,135	
Less accumulated depreciation	<u>(10,065,675)</u>	
Net capital assets		10,300,460
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		142,504
Deferred outflows of resources related to pensions are not reported in the funds		840,253
Benefit payments made and administrative expenses for LEOSSA		20,870
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		590,853
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:		
Installment financing debt		(771,331)
Internal balances		(203,516)
Other postemployment benefits		(1,389,413)
Compensated absences		(234,986)
Net pension liability		(978,244)
Total pension liability		(339,901)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(49,864)</u>
Net position of governmental activities		<u><u>\$ 12,057,117</u></u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017
Exhibit 5

	Major Funds	Non-Major Funds	Total Governmental Funds
	General	Other Governmental Funds	
REVENUES			
Ad valorem taxes	\$ 2,764,861	\$ -	\$ 2,764,861
Other taxes and licenses	108,422	-	108,422
Unrestricted intergovernmental	1,578,829	-	1,578,829
Restricted intergovernmental	817,770	235,003	1,052,773
Permits and fees	3,836	-	3,836
Sales and services	589,458	-	589,458
Investment earnings	17,738	460	18,198
Miscellaneous and project income	286	14,900	15,186
Total revenues	5,881,200	250,363	6,131,563
EXPENDITURES			
Current:			
General government	428,065	-	428,065
Public safety	2,802,348	-	2,802,348
Transportation	595,223	28,039	623,262
Economic and physical development	279,262	38,632	317,894
Environmental protection	514,614	233,803	748,417
Cultural and recreational	702,745	-	702,745
Debt service:			
Principal	62,669	-	62,669
Interest and other charges	6,839	-	6,839
Total expenditures	5,391,765	300,474	5,692,239
Revenues over (under) expenditures	489,435	(50,111)	439,324
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	36,384	-	36,384
Insurance claims	13,353	-	13,353
Installment purchase proceeds	110,000	-	110,000
Loan repayments to Water & Sewer Fund	(22,614)	-	(22,614)
Transfers from other funds	-	118,040	118,040
Transfers to other funds	-	(118,040)	(118,040)
Total other financing sources (uses)	137,123	-	137,123
Revenues and other financing sources over (under) expenditures and other uses	626,558	(50,111)	576,447
FUND BALANCES, BEGINNING	3,412,557	145,711	3,558,268
Change in reserve for inventories	(5,283)	-	(5,283)
FUND BALANCES, ENDING	\$ 4,033,832	\$ 95,600	\$ 4,129,432

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 576,447
Change in fund balance due to change in reserve for inventories	(5,283)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	299,111
Book value of capital asset disposals	(5,449)
Transfer of capital assets and related debt	19,194
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(795,553)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	211,935
Benefit payments paid and administrative expense for the LEOSSA are not included on the statement of activities	20,870
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:	
Installment purchase proceeds	(110,000)
Loan repayments to Water and Sewer Fund	22,614
Principal payments on long-term debt	62,669
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	65,843
Increase in accrued interest receivable on taxes	19,931
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Pension expense	(300,653)
Compensated absences	(28,375)
Other postemployment benefits	(64,540)
Total changes in net position of governmental activities	\$ (11,239)

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2017

Exhibit 7

General Fund				
Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	
REVENUES				
Ad valorem taxes	\$ 2,948,060	\$ 2,948,060	\$ 2,764,861	\$ (183,199)
Other taxes and licenses	96,250	96,250	108,422	12,172
Unrestricted intergovernmental	1,530,000	1,530,000	1,578,829	48,829
Restricted intergovernmental	676,723	795,711	817,770	22,059
Permits and fees	3,960	3,960	3,836	(124)
Sales and services	594,900	594,900	589,458	(5,442)
Investment earnings	4,000	4,000	17,738	13,738
Miscellaneous income	6,370	202,100	286	(201,814)
Total revenues	5,860,263	6,174,981	5,881,200	(293,781)
EXPENDITURES				
Current:				
General government	602,645	572,701	428,065	144,636
Public safety	3,077,326	3,077,921	2,802,348	275,573
Transportation	615,055	695,314	595,223	100,091
Economic and physical development	207,718	450,218	279,262	170,956
Environmental protection	556,222	577,530	514,614	62,916
Cultural and recreational	771,000	771,000	702,745	68,255
Debt service:				
Principal	133,069	133,069	62,669	70,400
Interest and other charges	7,387	7,387	6,839	548
Total expenditures	5,970,422	6,285,140	5,391,765	893,375
Revenues over (under) expenditures	(110,159)	(110,159)	489,435	599,594
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance - Powell Bill	220,856	220,856	-	(220,856)
Sale of capital assets	16,000	16,000	36,384	20,384
Insurance claims	4,000	4,000	13,353	9,353
Installment purchase proceeds	227,773	227,773	110,000	(117,773)
Loan repayments to Water and Sewer Fund	(22,614)	(22,614)	(22,614)	-
Transfers to other funds	(335,856)	(335,856)	-	335,856
Total other financing sources (uses)	110,159	110,159	137,123	26,964
Revenues and other financing sources over expenditures and other uses	\$ -	\$ -	626,558	\$ 626,558
FUND BALANCE, BEGINNING			3,412,557	
Change in reserve for inventories			(5,283)	
FUND BALANCE, ENDING			<u>\$ 4,033,832</u>	

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Proprietary Funds
Statement of Fund Net Position
June 30, 2017
Exhibit 8

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water and Sewer Fund	Storm Water Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,896,580	\$ 52,500	\$ 6,949,080
Accounts receivable (net)	264,672	4,543	269,215
Loan receivable - General Fund	22,614	-	22,614
Prepaid expenses	5,434	-	5,434
Restricted assets:			
Cash and cash equivalents	143,827	-	143,827
Due from other governments	391,303	-	391,303
Total current assets	<u>7,724,430</u>	<u>57,043</u>	<u>7,781,473</u>
Non-current assets:			
Loan receivable - General Fund	180,902	-	180,902
Capital assets:			
Land and other non-depreciable assets	3,838,156	-	3,838,156
Other capital assets, net of depreciation	9,372,355	-	9,372,355
Capital assets (net)	<u>13,210,511</u>	<u>-</u>	<u>13,210,511</u>
TOTAL ASSETS	<u>21,115,843</u>	<u>57,043</u>	<u>21,172,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	133,389	-	133,389
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	20,981	-	20,981
Compensated absences payable - current	17,990	-	17,990
NC Clean Water Revolving Loan - current	571,855	-	571,855
Drinking Water State Revolving Loan - current	62,553	-	62,553
Liabilities payable from restricted assets:			
Accounts payable	63,731	-	63,731
Customer deposits	143,827	-	143,827
Total current liabilities	<u>880,937</u>	<u>-</u>	<u>880,937</u>
Noncurrent liabilities:			
Other postemployment benefits	47,515	-	47,515
Compensated absences payable	22,689	-	22,689
Net pension liability	155,295	-	155,295
NC Clean Water Revolving Loan	4,402,579	-	4,402,579
Drinking Water State Revolving Loan	1,000,844	-	1,000,844
Total noncurrent liabilities	<u>5,628,922</u>	<u>-</u>	<u>5,628,922</u>
TOTAL LIABILITIES	<u>6,509,859</u>	<u>-</u>	<u>6,509,859</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	6,174	-	6,174
NET POSITION			
Net investment in capital assets	7,172,680	-	7,172,680
Unrestricted	7,560,519	57,043	7,617,562
TOTAL NET POSITION	<u>\$ 14,733,199</u>	<u>\$ 57,043</u>	<u>\$ 14,790,242</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017
Exhibit 9

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water and Sewer Fund	Storm Water Fund	
OPERATING REVENUES			
Charges for services	\$ 4,340,533	\$ 57,043	\$ 4,397,576
Water and sewer taps	4,320	-	4,320
Other operating revenues	42,960	-	42,960
Total operating revenues	4,387,813	57,043	4,444,856
OPERATING EXPENSES			
Water treatment and distribution	2,037,420	-	2,037,420
Water District 1	43,182	-	43,182
Water District 2	123,278	-	123,278
Waste collection and treatment	978,558	-	978,558
Depreciation	623,031	-	623,031
Total operating expenses	3,805,469	-	3,805,469
Operating income	582,344	57,043	639,387
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	38,721	-	38,721
Disaster Grants - Public Assistance	7,995	-	7,995
Miscellaneous	1,614	-	1,614
Transfer of capital assets and related debt to governmental activities	(19,194)	-	(19,194)
Interest and other charges	(84,143)	-	(84,143)
Total nonoperating revenues (expenses)	(55,007)	-	(55,007)
Income before contributions and transfers	527,337	57,043	584,380
Capital contributions	84,900	-	84,900
CHANGE IN NET POSITION	612,237	57,043	669,280
TOTAL NET POSITION, BEGINNING	14,120,962	-	14,120,962
TOTAL NET POSITION, ENDING	\$ 14,733,199	\$ 57,043	\$ 14,790,242

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
Exhibit 10

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water and Sewer Fund	Storm Water Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,468,110	\$ 52,500	\$ 4,520,610
Cash paid for goods and services	(2,617,002)	-	(2,617,002)
Cash paid to or on behalf of employees for services	(602,633)	-	(602,633)
Customer deposits received (net)	5,678	-	5,678
Net cash provided by operating activities	<u>1,254,153</u>	<u>52,500</u>	<u>1,306,653</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Disaster Grants - Public Assistance	7,995	-	7,995
Miscellaneous revenue	1,614	-	1,614
Net cash provided by noncapital financing activities	<u>9,609</u>	<u>-</u>	<u>9,609</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Clean Water Revolving Loan proceeds	2,761,338	-	2,761,338
Installment purchase proceeds - streets	600,000	-	600,000
Acquisition and construction of capital assets	(2,998,835)	-	(2,998,835)
Principal paid on NC Clean Water Revolving Loan	(571,855)	-	(571,855)
Principal paid on NC Drinking Water State Revolving Loan	(62,553)	-	(62,553)
Principal paid on installment purchase contract	(110,663)	-	(110,663)
Interest paid on NC Clean Water Revolving Loan	(82,087)	-	(82,087)
Interest paid on installment purchase contract	(2,056)	-	(2,056)
Net cash provided (used) by capital and related financing activities	<u>(466,711)</u>	<u>-</u>	<u>(466,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	38,721	-	38,721
Loan repayments from General Fund	22,614	-	22,614
Net cash provided by investing activities	<u>61,335</u>	<u>-</u>	<u>61,335</u>
Net increase (decrease) in cash and cash equivalents	858,386	52,500	910,886
CASH AND CASH EQUIVALENTS, BEGINNING	<u>6,182,021</u>	<u>-</u>	<u>6,182,021</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 7,040,407</u>	<u>\$ 52,500</u>	<u>\$ 7,092,907</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
Exhibit 10

Enterprise Funds		
Major Fund	Non-Major Fund	Total
Water and Sewer Fund	Storm Water Fund	

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 582,344	\$ 57,043	\$ 639,387
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	623,031	-	623,031
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	69,109	(4,543)	64,566
(Increase) decrease in prepaid expenses	(5,434)	-	(5,434)
Increase (decrease) in allowance for doubtful accounts	11,188	-	11,188
(Increase) decrease in deferred outflows of resources - pensions	(104,168)	-	(104,168)
Increase (decrease) in net pension liability	123,746	-	123,746
Increase (decrease) in deferred inflows of resources - pensions	(11,194)	-	(11,194)
Increase (decrease) in accounts payable and accrued liabilities	1,563	-	1,563
Increase (decrease) in customer deposits	5,678	-	5,678
Increase (decrease) in compensated absences payable	7,337	-	7,337
Increase (decrease) in accrued OPEB liability	(49,047)	-	(49,047)
	<u>671,809</u>	<u>(4,543)</u>	<u>667,266</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 1,254,153</u>	<u>\$ 52,500</u>	<u>\$ 1,306,653</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017
Exhibit 11

	OPEB Trust Fund	Martin Memorial Library Trust Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 33,756
Investments	555,984	-
TOTAL ASSETS	<u>\$ 555,984</u>	<u>\$ 33,756</u>
 LIABILITIES AND NET POSITION		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Net Position:		
Net position for postemployment benefits other than pensions	555,984	-
Assets held in trust for citizens of the Town of Williamston	-	33,756
TOTAL NET POSITION	<u>\$ 555,984</u>	<u>\$ 33,756</u>

The accompanying footnotes are an integral part of these financial statements

Town of Williamston, North Carolina
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017
Exhibit 12

	OPEB Trust Fund	Martin Memorial Library Trust Fund
ADDITIONS:		
Employer contributions	\$ 320,456	\$ -
Investment income:		
Net appreciation in fair value of investments	32,778	-
Interest	12,959	162
Total additions	<u>366,193</u>	<u>162</u>
DEDUCTIONS:		
Benefits	120,456	-
Library repairs	-	2,547
Total deductions	<u>120,456</u>	<u>2,547</u>
Change in net position	245,737	(2,385)
NET POSITION, BEGINNING	<u>310,247</u>	<u>36,141</u>
NET POSITION, ENDING	<u>\$ 555,984</u>	<u>\$ 33,756</u>

The accompanying footnotes are an integral part of these financial statements

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Williamston conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Town of Williamston, North Carolina Notes to the Financial Statements

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise fund:

Storm Water. This fund is used to account for the Town's storm water and drainage operations.

The Town reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Town of Williamston, North Carolina Notes to the Financial Statements

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

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

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

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

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

Town of Williamston, North Carolina Notes to the Financial Statements

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT 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.

Town of Williamston, North Carolina Notes to the Financial Statements

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

2. Cash and Cash Equivalents

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

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

4. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4

Restricted cash as of June 30, 2017 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 400,123
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Business-type activities

Water and Sewer Fund:

Customer utility deposits	<u>143,827</u>
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Total restricted cash	<u><u>\$ 543,950</u></u>
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5. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2016.

6. 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 Williamston, North Carolina
Notes to the Financial Statements

7. Inventory and Prepaid Items

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

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

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.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the year of implementing GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

9. 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 one item that meets this criterion, pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

10. 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.

11. Compensated Absences

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

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

12. 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.

Town of Williamston, North Carolina Notes to the Financial Statements

The governmental fund types classify fund balances as follows:

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

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

Prepaid Expenses - portion of fund balance that is not an available resource because it represents costs applicable to future accounting periods that are expensed as the items are used.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

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

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

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

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

Town of Williamston, North Carolina Notes to the Financial Statements

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

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

13. 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 Williamston's employer contributions are recognized when due and the Town of Williamston has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

14. Adoption of New Financial Accounting Standards

The following GASB Statements recently issued and adopted by the GASB impacted the Town's financial statements:

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016).

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the fiscal year ending June 30, 2017. The implementation of the statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB (Other Postemployment Benefits) Measurement by Agent Employers and Agent Multiple-Employer Plans*. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. Currently, this new standard has no effect on the Board's financial statements.

Town of Williamston, North Carolina

Notes to the Financial Statements

The Town implemented GASB issued Statement No. 82 – *Pension Issues -an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Town has implemented this provision for the year ended June 30, 2017. The implementation of this statement had no effect on net position.

15. Future Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The Town is currently assessing the impact of GASB 84 on the financial statements for the year ending June 30, 2018.

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Town is currently assessing the impact of GASB 84 on the financial statements for the year ending June 30, 2020.

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Town is currently assessing the impact of GASB 85 on the financial statements for the year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87 – *Leases* which seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town is currently assessing the impact of GASB 87 on the financial statements for the year ending June 30, 2021.

Town of Williamston, North Carolina
Notes to the Financial Statements

F. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$7,927,685 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide governmental activities column)	\$ 20,366,135
Less accumulated depreciation	<u>(10,065,675)</u>
Net capital assets	10,300,460
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	142,504
Deferred outflows of resources related to pensions are not reported in the funds	840,253
Benefit payments made and administrative expenses for LEOSSA	20,870
Liabilities for earned revenues considered deferred inflows of resources in fund statements	590,853
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:	
Installment financing debt	(771,331)
Internal balances	(203,516)
Other postemployment benefits	(1,389,413)
Compensated absences	(234,986)
Net pension liability	(978,244)
Total pension liability	(339,901)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(49,864)</u>
Total adjustment	<u><u>\$ 7,927,685</u></u>

Town of Williamston, North Carolina
Notes to the Financial Statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(587,686) as follows:

Change in fund balance due to change in reserve for inventories	\$ (5,283)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	299,111
Book value of capital asset disposals	(5,449)
Transfer of capital assets and related debt	19,194
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(795,553)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	211,935
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	20,870
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:	
Installment purchase proceeds	(110,000)
Loan repayment to Water and Sewer Fund	22,614
Principal payments on long-term debt	62,669
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	65,843
Increase in accrued interest receivable on taxes	19,931
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Pension expense	(300,653)
Compensated absences	(28,375)
Other postemployment benefits	(64,540)
Total adjustment	\$ (587,686)

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None reported

2. Contractual Violations

None reported

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

None reported

C. Excess of Expenditures over Appropriations

None reported

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$2,394,204 and a bank balance of \$2,442,152. Of the bank balance, \$645,122 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$150.

Town of Williamston, North Carolina Notes to the Financial Statements

2. Investments

At June 30, 2017, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 2,641,840	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	5,912,442	0.09 years	Unrated
Total Investments		<u>\$ 8,554,282</u>		

The above investment figures for the North Carolina Capital Management Trust – Government Portfolio include a Fiduciary Fund that had funds invested in the amount of \$33,756. Fiduciary Funds do not appear on the Statement of Net Position.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

Credit risk: The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

OPEB Trust Fund Investments

At June 30, 2017, the Town of Williamston Healthcare Benefits (HCB) Plan Fund had \$555,984 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's STIF 23.68%; State Treasurer's BIF 14.09% and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 62.23%.

Interest Rate Risk: The Town does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2017. The State Treasurer's BIF is unrated and had a weighted average maturity of 7.99 years at June 30, 2017.

Town of Williamston, North Carolina
Notes to the Financial Statements

Credit Risk: The Town does not have a formal investment policy regarding credit risk for the HCB Plan Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer’s STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments. The BIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer’s BIF is invested in high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6).

3. Receivables – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Due from Other Governments	Total
Governmental activities:					
General	\$ 1,550	\$ 629,899	\$ 142,504	\$ 457,989	\$ 1,231,942
Other governmental	-	-	-	-	-
Total receivables	1,550	629,899	142,504	457,989	1,231,942
Allowance for doubtful accounts	-	(39,046)	-	-	(39,046)
Total governmental activities	<u>\$ 1,550</u>	<u>\$ 590,853</u>	<u>\$ 142,504</u>	<u>\$ 457,989</u>	<u>\$ 1,192,896</u>
Business-type activities					
Water and sewer	\$ 384,832	\$ -	\$ -	\$ 391,303	\$ 776,135
Storm water	4,543	-	-	-	4,543
Allowance for doubtful accounts	(120,160)	-	-	-	(120,160)
Total business-type activities	<u>\$ 269,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,303</u>	<u>\$ 660,518</u>

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

General Fund:

Sales tax refund	\$ 64,693
Local option sales tax	184,903
Utility franchise tax	96,671
NC Department of Public Safety - Regional Response Team Grant	13,429
Martin County - fire district taxes	31,023
Martin County - vehicle taxes	65,197
Disaster Grants - Public Assistance	2,073
Total	<u>\$ 457,989</u>

Water and Sewer Fund:

Annexation Area A Project:	
NC Clean Water Revolving Loan	\$ 306,403
Water System Asset Inventory Assessment Project:	
NCDEQ - DWI Grant	84,900
	<u>\$ 391,303</u>

Town of Williamston, North Carolina
Notes to the Financial Statements

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases and Transfers	Decreases and Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 722,864	\$ 10,547	\$ -	\$ 733,411
Construction in progress	811,070	644,539 (1)	-	1,455,609
Total capital assets not being depreciated	<u>1,533,934</u>	<u>655,086</u>	<u>-</u>	<u>2,189,020</u>
Capital assets being depreciated:				
Buildings	3,478,579	21,759	-	3,500,338
Land improvements	2,031,322	-	-	2,031,322
Equipment and furniture	2,080,190	18,311	-	2,098,501
Vehicles and motorized equipment	3,924,890	181,919	200,404	3,906,405
Infrastructure	6,592,922	47,627	-	6,640,549
Total capital assets being depreciated	<u>18,107,903</u>	<u>269,616</u>	<u>200,404</u>	<u>18,177,115</u>
Less accumulated depreciation for:				
Buildings	2,450,053	112,080	-	2,562,133
Land improvements	893,399	61,064	-	954,463
Equipment and furniture	1,437,933	133,608	-	1,571,541
Vehicles and motorized equipment	2,793,935	295,482	194,956	2,894,461
Infrastructure	1,883,360	199,717	-	2,083,077
Total accumulated depreciation	<u>9,458,680</u>	<u>\$ 801,951 (2)</u>	<u>\$ 194,956</u>	<u>10,065,675</u>
Total capital assets being depreciated, net	<u>8,649,223</u>			<u>8,111,440</u>
Governmental activity capital assets, net	<u><u>\$ 10,183,157</u></u>			<u><u>\$ 10,300,460</u></u>

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

General government	\$ 31,234
Public safety	287,799
Transportation	213,945
Economic and physical development	13,252
Environmental protection	32,642
Cultural and recreational	216,681
Total depreciation expense	<u><u>\$ 795,553 (2)</u></u>

(1) The Town transferred \$600,000 of street construction and \$600,000 of related debt from the business-type activities to the governmental activities (See Note IIIC).

(2) The depreciation expense does not agree because the Town transferred vehicles with a cost of \$25,591 and an accumulated depreciation of \$6,398 from the business-type activities to the governmental activities. The Town also transferred vehicles with a cost of \$44,852 and an accumulated depreciation of \$44,852 from the governmental activities to the business-type activities.

Town of Williamston, North Carolina
Notes to the Financial Statements

	Beginning Balances	Increases and Transfers	Decreases and Transfers	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 112,022	\$ -	\$ -	\$ 112,022
Construction in progress	1,417,760	2,908,374	600,000	3,726,134
Total capital assets not being depreciated	<u>1,529,782</u>	<u>2,908,374</u>	<u>(1)</u>	<u>600,000</u>
Capital assets being depreciated:				
Buildings	217,012	24,500	-	241,512
Plant and distribution/collection systems	21,953,987	-	-	21,953,987
Equipment and furniture	495,380	44,660	-	540,040
Vehicles and motorized equipment	359,543	129,626	25,591	463,578
Total capital assets being depreciated	<u>23,025,922</u>	<u>198,786</u>	<u>25,591</u>	<u>23,199,117</u>
Less accumulated depreciation for:				
Buildings	130,136	6,887	-	137,023
Plant and distribution systems	12,415,531	568,119	-	12,983,650
Equipment and furniture	378,249	18,807	-	397,056
Vehicles and motorized equipment	241,359	74,070	6,396	309,033
Total accumulated depreciation	<u>13,165,275</u>	<u>\$ 667,883</u>	<u>(2)</u>	<u>\$ 6,396</u>
Total capital assets being depreciated, net	<u>9,860,647</u>			<u>9,372,355</u>
Water and Sewer Fund capital assets, net	<u>\$ 11,390,429</u>			<u>\$ 13,210,511</u>

(1) The Town transferred \$600,000 of street construction and \$600,000 of related debt from the business-type activities to the governmental activities (See Note IIIC).

(2) The depreciation expense does not agree with Exhibit 9 because the Town transferred vehicles with a cost of \$25,591 and an accumulated depreciation of \$6,398 from the business-type activities to the governmental activities. The Town also transferred vehicles with a cost of \$44,852 and an accumulated depreciation of \$44,852 from the governmental activities to the business-type activities.

5. Construction Commitments

The Town has active construction projects as of June 30, 2017. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Annexation Area A - technical services	\$ 799,103	\$ 11,822
Annexation Area A - construction	3,288,322	965,156
Total	<u>\$ 4,087,425</u>	<u>\$ 976,978</u>

Town of Williamston, North Carolina
Notes to the Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 47,923	\$ 116,588	\$ 12,845	\$ 177,356
Other Governmental	3,492	-	-	3,492
Total governmental activities	<u>\$ 51,415</u>	<u>\$ 116,588</u>	<u>\$ 12,845</u>	<u>\$ 180,848</u>
Business-type Activities:				
Water and sewer	\$ 2,718	\$ 18,263	\$ -	\$ 20,981

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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.

Town of Williamston, North Carolina Notes to the Financial Statements

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Williamston employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Williamston's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Williamston were \$245,462 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$1,133,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.05341%, which was an increase of 0.00095% from its proportion measured as of June 30, 2015.

Town of Williamston, North Carolina Notes to the Financial Statements

For the year ended June 30, 2017, the Town recognized pension expense of \$303,443. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,297	\$ 39,720
Changes of assumptions	77,637	-
Net difference between projected and actual earnings on pension plan investments	626,705	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,541	5,345
Town contributions subsequent to the measurement date	245,462	-
Total	\$ 973,642	\$ 45,065

\$245,462 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ 103,100
2019	103,182
2020	296,400
2021	180,433
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Williamston, North Carolina Notes to the Financial Statements

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Town of Williamston, North Carolina
Notes to the Financial Statements

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

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

1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
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Town's proportionate share of the net pension liability (asset)	\$ 2,690,417	\$ 1,133,539	\$ (166,881)
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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

1. Plan Description

The Town of Williamston administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>22</u>
Total	<u><u>22</u></u>

2. Summary of Significant Accounting Policies:

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

Town of Williamston, North Carolina
Notes to the Financial Statements

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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, 2017, the Town reported a total pension liability of \$339,901. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$39,121.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		10,973
Town benefit payments and plan administrative expense made subsequent to the measurement date	20,870	-
Total	\$ 20,870	\$ 10,973

Town of Williamston, North Carolina
Notes to the Financial Statements

\$10,973 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2018	\$ (1,691)
2019	(1,691)
2020	(1,691)
2021	(1,691)
2022	(1,691)
Thereafter	(2,518)

\$20,870 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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
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Total pension liability	\$ 385,466	\$ 339,901	\$ 299,478
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Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 311,753
Service cost	29,682
Interest on the total pension liability	11,130
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(12,664)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 339,901

Town of Williamston, North Carolina Notes to the Financial Statements

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$102,080, which consisted of \$42,750 from the Town and \$59,330 from the law enforcement officers and other employees not engaged in law enforcement. No amounts were forfeited.

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

d. Other Postemployment Benefit

Plan Description

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

Town of Williamston, North Carolina Notes to the Financial Statements

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

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

Management of the HCB Plan is vested in the Town of Williamston Board of Commissioners.

Plan membership. At June 30, 2017, the HCB Plan membership consisted of the following:

Membership	Number
Inactive plan members or beneficiaries currently receiving benefit payments	17
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	57
Total	74

Benefits provided. Health care, prescription drug coverage, dental coverage and life insurance are provided in the Town's group health plan to retirees under Medicare age. Vision coverage is available at the retirees' expense. In addition, the Town will reimburse retirees participating in the group health plan up to \$750 of group medical insurance deductibles incurred by the retiree during the plan year once the retiree has met the first \$1,500 up to \$2,250 of the retiree only (not including dependents) deductible expense, and up to \$2,000 for employees who pay from \$3,000 up to the current \$5,000 deductible and \$5,000 out-of-pocket maximum.

A standard Medicare Supplement Plan providing health care only may be paid for retirees once they reach Medicare eligibility age. Dental, vision and life insurance are available at the Medicare eligible retirees' expense, as is prescription drug coverage. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates under certain conditions as explained below. The Town Board of Commissioners may amend the benefit provisions.

Town of Williamston, North Carolina Notes to the Financial Statements

Dependent coverage. The retiree may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. The Town will contribute 50% of the cost of dependent dental insurance. Dependent coverage terminates upon the retiree becoming eligible for Medicare (attaining age 65), upon the spouse becoming eligible for Medicare (attaining age 65) or upon the retirees' death, whichever comes first.

Contributions. The Town Board of Commissioners established the contribution requirements of plan members which may be amended by the Board. The Town contributes toward the cost of retiree health, dental and life insurance premiums until the retiree becomes eligible for Medicare. The Town contributes 50% of the total retiree and dependent dental and life insurance premiums. Retiree life is determined as a factor of 1 times annual salary at retirement rounded to the next highest \$1,000, with a \$100,000 maximum. Retiree life benefits reduce by 50% at age 55. Town contributions for dental coverage and life insurance cease at age 65.

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

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

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

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

Town of Williamston, North Carolina Notes to the Financial Statements

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

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

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

Per a Town resolution dated October 7, 2013, the Town created an Other Post-Employment Benefits (OPEB) Trust Fund to be administered by the NC Department of State Treasurer. The Town is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. For the current year, the Town contributed \$320,455. The Fund is accounted for as a trust fund.

Town of Williamston, North Carolina
Notes to the Financial Statements

Investments

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Bond Index Fund	10.0%	
Equity Index Fund	65.0%	
Short Term Investment fund	25.0%	
Total	100.0%	5.5%

Rate of return. For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 5.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2017 were as follows:

Total OPEB liability	\$ 4,994,595
Plan fiduciary net position	555,984
Town's net OPEB liability	\$ 4,438,611
Plan fiduciary net position as a percentage of the total OPEB liability	11.13%

Town of Williamston, North Carolina Notes to the Financial Statements

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law enforcement officers	3.5% - 7.35%
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	5.50%
Municipal Bond Index Rate	
Prior measurement date	3.01%
Measurement date	3.56%
Year FNP is projected to be depleted	
Prior measurement date	2022
Measurement date	2022
Single equivalent interest rate, net of OPEB plan investment expense, including price inflation	
Prior measurement date	3.07%
Measurement date	3.62%
Healthcare cost trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate (SEIR).

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Town of Williamston, North Carolina Notes to the Financial Statements

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of June 30, are presented above.

Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 3.62%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- Active employees do not explicitly contribute to the Plan.
- In all years, the employer contributes \$100,000 to the OPEB trust. The employer then pays benefits to plan members from the trust as the benefits come due.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2022 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 5.50% on Plan investments was applied to periods through 2022 and the Municipal Bond Index Rate at the Measurement Date (3.56%) was applied to periods on and after 2022, resulting in an SEIR at the Measurement Date (3.62%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.07% at the Prior Measurement Date to 3.62% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Town of Williamston, North Carolina
Notes to the Financial Statements

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability	\$ 5,225,207	\$ 4,388,611	\$ 3,718,930

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate presented above:

	1% Decrease (Pre-Medicare 6.75% decreasing to 4%) (Medicare 4.75% decreasing to 4%)	Pre-Medicare Healthcare Cost Trend Rate (7.75% decreasing to 5%), Medicare Healthcare Cost Trend Rate (5.75% decreasing to 5%)	1% Increase (Pre-Medicare 8.75% decreasing to 6%) (Medicare 6.75% decreasing to 6%)
Net OPEB liability	\$ 3,632,290	\$ 4,388,611	\$ 5,348,997

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

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

Annual required contribution	\$ 358,132
Interest on net OPEB obligation	56,857
Adjustment to annual required contribution	(79,040)
Annual OPEB cost (expense)	<u>335,949</u>
Contributions made	<u>(320,456)</u>
Increase (decrease) in net OPEB obligation	15,493
Net OPEB obligation, beginning of year	<u>1,421,435</u>
Net OPEB obligation, end of year	<u><u>\$ 1,436,928</u></u>

Town of Williamston, North Carolina
Notes to the Financial Statements

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB plan, and the net OPEB obligation as of June 30, 2017 were as follows:

3 Year Trend Information			
For Years Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 335,949	95.4%	\$ 1,436,928
2016	\$ 339,226	38.1%	\$ 1,421,435
2015	\$ 341,516	57.0%	\$ 1,211,443

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the plan was 11.2% funded. The actuarially accrued liability for benefits was \$4,944,595, and the actuarial value of assets was \$555,984, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,388,611. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

In the June 30, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.00% inflation assumption. The medical cost trend rate was 7.5 to 5.00 percent for pre-Medicare costs and 5.75 to 5.00 percent for Medicare costs annually. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at June 30, 2016 was 30 years.

3. Other Employment Benefits

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

Town of Williamston, North Carolina
Notes to the Financial Statements

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 21,297
Changes of assumptions	77,637
Net difference between projected and actual earnings on pension plan investments	626,705
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,541
Town contributions subsequent to the measurement date	245,462
Benefit payments made and administrative expenses for LEOSSA	20,870
Total	<u>\$ 994,512</u>

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

Source	Statement of Net Positon	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 13,551	\$ 13,551
Property taxes receivable (General Fund)	-	590,853
Changes in assumptions	10,973	-
Differences between expected and actual experience	39,720	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,345	-
Total	<u>\$ 69,589</u>	<u>\$ 604,404</u>

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000; and \$1,000,000 up to statutory limits for workers' compensation. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess insurance coverage policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

Town of Williamston, North Carolina Notes to the Financial Statements

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

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

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

6. Claims, Judgments and Contingent Liabilities

According to the Town Attorney, at June 30, 2017, there are no pending or threatened litigation, claims or assessments against the Town.

7. Long-Term Obligations

a. Installment Purchase

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

The future minimum payments of the installment purchase as of June 30, 2017, including \$581 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 62,000	\$ 581	\$ 62,581

Current fiscal year interest paid of \$1,511 has been reported as an expense on the Statement of Activities.

Town of Williamston, North Carolina
Notes to the Financial Statements

b. Installment Purchase

In February 2017, the Town entered into an installment purchase contract to finance police cars. The financing contract requires annual principal payments of \$36,667 with an interest rate of 2.28%.

The future minimum payments of the installment purchase as of June 30, 2017, including \$4,168 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 36,667	\$ 1,690	\$ 38,357
2019	36,667	1,657	38,324
2020	35,997	821	36,818
Totals	<u>\$ 109,331</u>	<u>\$ 4,168</u>	<u>\$ 113,499</u>

Current fiscal year interest paid of \$805 has been reported as an expense on the Statement of Activities.

c. Installment Purchase

In October 2016, the Town entered into an installment purchase contract to finance reconstruction of streets in an annexation area and resurfacing of existing streets. The financing contract requires annual principal payments of \$120,000 with an interest rate of 1.73%.

The future minimum payments of the installment purchase as of June 30, 2017, including \$31,140 of interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 120,000	\$ 10,380	\$ 130,380
2019	120,000	8,304	128,304
2020	120,000	6,228	126,228
2021	120,000	4,152	124,152
2022	120,000	2,076	122,076
Totals	<u>\$ 600,000</u>	<u>\$ 31,140</u>	<u>\$ 631,140</u>

Town of Williamston, North Carolina
Notes to the Financial Statements

d. NC Clean Water Revolving Loan

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

The future minimum payments of the NC Clean Water Revolving Loan as of June 30, 2017, including \$80,152 of interest, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 308,275	\$ 32,061	\$ 340,336
2019	308,275	24,045	332,320
2020	308,275	16,030	324,305
2021	308,273	8,016	316,289
Totals	<u>\$ 1,233,098</u>	<u>\$ 80,152</u>	<u>\$ 1,313,250</u>

Related interest expense for the year ended June 30, 2017 in the amount of \$40,076 has been reported as a direct water and sewer functional expense on the Statement of Activities.

e. Installment Purchase

In March 2007, the Town entered into an installment purchase contract to finance construction related to the wastewater treatment plant chlorination project. The financing contract required quarterly principal payments of \$36,888 with an interest rate of 3.92%. The installment purchase contract was paid off in March 2017.

Related interest expense for the year ended June 30, 2017 in the amount of \$2,057 has been reported as a direct water and sewer functional expense on the Statement of Activities.

f. NC Clean Water Revolving Loan

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 52,065	\$ -	\$ 52,065
2019	52,065	-	52,065
2020	52,065	-	52,065
2021	52,065	-	52,065
2022	52,065	-	52,065
Next 5 years	260,326	-	260,326
Next 5 years	260,326	-	260,326
Next 5 years	104,133	-	104,133
Totals	<u>\$ 885,110</u>	<u>\$ -</u>	<u>\$ 885,110</u>

Town of Williamston, North Carolina
Notes to the Financial Statements

g. NC Drinking Water Revolving Loan

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2018	62,553	-	62,553
2019	62,553	-	62,553
2020	62,553	-	62,553
2021	62,553	-	62,553
2022	62,553	-	62,553
Next 5 years	312,764	-	312,764
Next 5 years	312,764	-	312,764
Next 5 years	125,104	-	125,104
Totals	<u>\$ 1,063,397</u>	<u>\$ -</u>	<u>\$ 1,063,397</u>

h. NC Clean Water Revolving Loan

As of June 30, 2017, the Town had drawn \$3,067,741 of what will be a \$4,230,300 NC Clean Water Revolving Loan related to water and sewer line improvements in Annexation Area A. In accordance with the rules governing the Revolving Loan program, the first payment of principal on the loan was due May 1, 2017. The actual debt balance of June 30, 2017 is \$2,856,226. Interest will accrue at the rate of 1.84% per annum and will be paid semiannually on or before November 1 and May 1.

The future minimum payments of the NC Clean Water Revolving Loan as of June 30, 2017, including \$739,456 of interest, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 211,515	\$ 73,946	\$ 285,461
2019	211,515	70,054	281,569
2020	211,515	66,162	277,677
2021	211,515	62,270	273,785
2022	211,515	58,378	269,893
Next 5 years	1,057,575	233,510	1,291,085
Next 5 years	1,057,575	136,218	1,193,793
Next 5 years	846,060	38,918	884,978
Totals	<u>\$ 4,018,785</u>	<u>\$ 739,456</u>	<u>\$ 4,758,241</u>

Related interest expense for the year ended June 30, 2017 in the amount of \$42,011 has been reported as a direct water and sewer functional expense on the Statement of Activities.

Town of Williamston, North Carolina
Notes to the Financial Statements

g. Changes in Long-Term Liabilities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Installment purchase - Fire Truck	\$ 124,000	\$ -	\$ 62,000	\$ 62,000	\$ 62,000
Installment purchase - Police cars	-	110,000	669	109,331	36,667
Installment purchase - Streets	-	600,000	-	600,000	120,000
Other postemployment benefits	1,324,873	64,540	-	1,389,413	-
Compensated absences	206,611	28,375	-	234,986	115,016
Net pension liability (LGERS)	203,889	774,355	-	978,244	-
Total pension liability (LEOSSA)	311,753	28,148	-	339,901	-
Governmental activity long-term liabilities	\$ 2,171,126	\$ 1,605,418	\$ 62,669	\$ 3,713,875	\$ 333,683
Business-type activities:					
NC Clean Water Revolving Loan	\$ 1,541,373	\$ -	\$ 308,275	\$ 1,233,098	\$ 308,275
NC Clean Water Revolving Loan	937,175	-	52,065	885,110	52,065
NC Clean Water Revolving Loan	940,900	2,126,841	211,515	2,856,226	211,515
Drinking Water State Revolving Loan	1,125,950	-	62,553	1,063,397	62,553
Installment purchase - WWTP Chlorination Project	110,663	-	110,663	-	-
Other postemployment benefits	96,562	-	49,047	47,515	-
Compensated absences	33,342	7,337	-	40,679	17,990
Net pension liability (LGERS)	31,549	123,746	-	155,295	-
Business-type activity long-term liabilities	\$ 4,817,514	\$ 2,257,924	\$ 794,118	\$ 6,281,320	\$ 652,398

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

At June 30, 2017, the Town of Williamston had a legal debt margin of \$23,509,314.

Town of Williamston, North Carolina
Notes to the Financial Statements

C. Interfund Balances and Activity

Balances Due to/from Other Funds

There are no balances due to/from other funds at June 30, 2017.

Internal Balances

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

The Water and Sewer Fund loaned the General Fund \$339,200 on July 13, 2011 with interest at 2.0% to fund the improvements to the Skinner Warehouse. Annual repayments are set at \$22,614 principal plus interest. The balance at June 30, 2017 was \$203,516. The loan will be repaid by June 2026.

\$ 203,516

Interest expense in the General Fund and the related interest income in the Water and Sewer Fund related to these internal balances was \$4,523.

Transfers to/from Other Funds

From the Skewarkee Canal Phase IV Governmental Capital Project Fund to the Skewarkee Canal Phase IV-A Railroad Culvert Improvements Governmental Capital Project Fund

\$ 118,040

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

During the 2017 fiscal year, the Town made a one-time transfer from the Skewarkee Canal Phase IV Governmental Capital Project Fund to the Skewarkee Canal Phase IV-A Railroad Culvert Improvements Governmental Capital Project Fund of \$118,040 to transfer funding to a different phase of the overall project.

Interfund Transfers of Capital Assets and Related Debt

Net book value of business-type activities vehicles transferred to governmental activities \$ 19,194

Street construction and the related installment purchase debt related to the Annexation Area A Water and Sewer Capital Projects Fund have been transferred from the business-type activities to the governmental activities as follows:

Street construction	600,000
Related installment purchase debt	<u>(600,000)</u>
Total	<u>\$ 19,194</u>

Town of Williamston, North Carolina
Notes to the Financial Statements

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	\$ 4,033,832
Less:	
Inventories	6,887
Prepaid expenses	35,432
Stabilization by state statute	459,539
Streets - Powell Bill	416,573
Assigned for Public Safety	21,155
Appropriated Fund Balance in 2018 budget	<u>-</u>
Remaining Fund Balance	<u><u>\$ 3,094,246</u></u>

IV. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with five counties and various other municipalities, established the Mid-East Commission Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town of Williamston paid membership fees of \$1,777 to the Council during the fiscal year ended June 30, 2017.

V. RELATED ORGANIZATION

The five-member board of the Town of Williamston Housing Authority is appointed by the Commissioners of the Town of Williamston. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town is also disclosed as a related organization in the notes to the financial statements of the Williamston Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 504 E. Main Street, Williamston, NC 27892.

VI. RELATED PARTY TRANSACTIONS

No significant or improper related party transactions.

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

VIII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Board has evaluated subsequent events through August 10, 2018, the date which the financial statements were available to be issued.

In July 2017, the Town appointed a new Town Administrator replacing the Interim Town Administrator. The new Town Administrator resigned in May 2018 and the prior Interim Town Administrator was re-appointed pending a new Town Administrator search.

In November 2017, the Town awarded a \$933,340 contract to place a drainage culvert beneath the CSX Railroad related to the Skewarkee Canal Phase IV-A Railroad Culvert Improvements Project. The Project is being primarily funded by a \$1,030,000 USDA loan and a \$200,000 NC Division of Environmental Quality DWR Grant.

In November 2017, the Town accepted a \$400,000 Department of Homeland Security Grant through the NC Department Public Safety.

In April 2018, the Town established a \$565,395 Capital Project Ordinance to acquire a custom Pumper Fire Engine. The project is to be funded by an installment purchase contract with a local bank.

IX. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$311,753.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Changes in Net OPEB Liability for the Other Postemployment Benefits
- Schedule of the Net OPEB Liability for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
06/30/16	\$ 555,984	\$ 4,944,595	\$ 4,388,611	11.2%	\$ 2,189,000	200.5%
12/31/14	\$ 157,883	\$ 3,740,425	\$ 3,582,542	4.2%	\$ 2,645,916	135.4%
12/31/11	\$ -	\$ 3,644,636	\$ 3,644,636	0.0%	\$ 2,613,217	139.5%
12/31/10	\$ -	\$ 3,056,979	\$ 3,056,979	0.0%	\$ 2,858,624	106.9%
12/31/09	\$ -	\$ 2,995,985	\$ 2,995,985	0.0%	\$ 2,855,036	104.9%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	\$ 335,949	95.4%
2016	\$ 339,226	38.1%
2015	\$ 341,516	57.0%
2014	\$ 363,905	60.1%
2013	\$ 363,340	13.0%
2012	\$ 362,749	8.8%
2011	\$ 176,617	18.4%
2010	\$ 171,531	25.1%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Williamston, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability

	Fiscal Year Ending June 30	2017
Total OPEB Liability		
Service cost at end of year		\$ 173,489
Interest on the Total OPEB Liability		156,902
Changes of benefit terms		-
Difference between expected and actual experience		-
Changes of assumptions or other inputs		(436,391)
Benefit payments*		(120,456)
Net change in Total OPEB Liability		(226,456)
Total OPEB Liability - beginning		5,171,051
Total OPEB Liability - ending (a)		4,944,595
 Plan Fiduciary Net Position		
Contributions - employer**		320,456
Contributions - non-employer		-
Contributions - active member		-
Net investment income		45,737
Benefit payments*		(120,456)
Administrative expense		-
Other		-
Net change in Plan Fiduciary net Position		245,737
Plan Fiduciary Net Position - beginning		310,247
Plan Fiduciary Net Position - ending (b)		555,984
Net OPEB Liability - ending (a) - (b)		\$ 4,388,611

*Benefit payments are net of participant contributions and include \$28,018 due to the implicit subsidy. Net benefit payments of \$92,438 paid directly from the employer are also included.

**Employer contributions include \$28,018 due to the implicit subsidy. Employer contributions include \$92,348 paid directly from the employer.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Town of Williamston, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of the Net OPEB Liability**

Fiscal Year Ending June 30	2017	2016
Total OPEB Liability	\$ 4,944,595	\$ 5,171,051
Plan Fiduciary Net Position	555,984	310,247
Net OPEB Liability	\$ 4,388,611	\$ 4,860,804
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	 11.24%	 6.00%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Local Government Employees' Retirement System

	2017	2016	2015	2014
Town of Williamston's proportion of the net pension liability (asset) (%)	0.05341%	0.05246%	0.05400%	0.05310%
Town of Williamston's proportion of the net pension liability (asset) (\$)	\$ 1,133,539	\$ 235,438	\$ (318,463)	\$ 640,059
Town of Williamston's covered payroll	\$ 3,213,591	\$ 3,058,933	\$ 2,869,087	\$ 2,775,413
Town of Williamston's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.27%	7.70%	(11.10%)	23.06%
Plan fiduciary net position as a percentage of the total pension liability**	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.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Local Government Employees' Retirement System

	2017	2016	2015	2014
Contractually required contribution	\$ 245,462	\$ 216,799	\$ 218,990	\$ 204,434
Contributions in relation to the contractually required contribution	<u>245,462</u>	<u>216,799</u>	<u>218,990</u>	<u>204,434</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Williamston's covered payroll	\$ 3,305,438	\$ 3,213,591	\$ 3,058,933	\$ 2,869,087
Contributions as a percentage of covered payroll	7.43%	6.75%	7.16%	7.13%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Williamston, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information
June 30, 2017

Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 311,753
Service cost	29,682
Interest on the total pension liability	11,130
Changes of assumptions or other inputs	<u>(12,664)</u>
Ending balance of the total pension liability	<u><u>\$ 339,901</u></u>

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Williamston, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Required Supplementary Information
June 30, 2017

Law Enforcement Officers' Special Separation Allowance

2017

Total pension liability	\$ 339,901
Covered payroll	965,493
Total pension liability as a percentage of covered payroll	35.20%

Notes to the schedules:

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Individual Fund Schedule

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

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$	\$ 2,618,073	\$	\$ 2,650,834
Prior years		110,338		197,891
Penalties and interest		36,450		42,949
Total		<u>2,948,060</u>	<u>(183,199)</u>	<u>2,891,674</u>
Other taxes and licenses				
Gross receipts tax on short-term rental property		10,645		10,329
Beer and wine licenses		350		-
Auto licenses		19,825		19,921
Auto licenses - restricted		77,602		-
Total		<u>96,250</u>	<u>12,172</u>	<u>30,250</u>
Unrestricted intergovernmental				
Local option sales taxes		1,100,550		1,024,888
Payments in lieu of taxes		3,251		2,238
Telecommunications sales tax		76,927		77,013
Utility sales tax		306,376		330,951
Piped natural gas sales tax		2,345		(14,180)
Video franchise fee		41,745		41,315
ABC profit distributions		22,451		33,083
Beer and wine tax		25,184		24,480
Total		<u>1,530,000</u>	<u>48,829</u>	<u>1,519,788</u>
Restricted intergovernmental				
Powell Bill allocation		172,090		172,229
Municipal participation sidewalk reimbursement		20,420		-
Controlled substance tax		8,518		9,525
Disaster Grants - Public Assistance		118,199		-
Homeland Security Grant Program		-		63,478
N.C. Department of Public Safety - Regional Response Team Grant		68,970		57,000
Governor's Crime Commission - Body Camera Grant		13,349		-
Safe Kids Grant		-		918
Fire district - Martin County		257,060		233,906
Rescue squad - Martin County		145,750		134,215
Recreation - Martin County		9,677		9,677
On-behalf of payments - Fire and Rescue		-		1,214
Solid waste disposal tax		3,737		4,399
Total		<u>795,711</u>	<u>22,059</u>	<u>686,561</u>

(continued)

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

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2,016
	Budget	Actual		Actual
Permits and fees				
Fire code permits & inspection application fees		1,400		1,783
Court fees		1,663		1,263
Business registration fees		773		470
Total	3,960	3,836	(124)	3,516
Sales and services				
EMS collections		449,907		428,558
EMS - Medicaid cost settlement		54,667		42,485
EMS - Medicaid cost settlement payback		-		(64,171)
Recreation fees and rents		22,178		20,401
Cemetery revenues		53,375		53,050
Rooks cemetery maintenance funds		3,533		3,201
Police department		2,893		6,370
Zoning		2,505		3,290
Street, driveways and lot cleaning		400		725
Total	594,900	589,458	(5,442)	493,909
Investment earnings	4,000	17,738	13,738	6,587
Miscellaneous				
Trillium Health Resources Playground Grant		-		335,629
Donations - Martin Memorial Library		-		8,042
Miscellaneous		286		107
Total	202,100	286	(201,814)	343,778
Total revenues	6,174,981	5,881,200	(293,781)	5,976,063
EXPENDITURES	6,285,140	5,391,765	893,375	5,586,754
Revenues over (under) expenditures	(110,159)	489,435	599,594	389,309

(continued)

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

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2,016
	Budget	Actual	Variance Positive (Negative)	Actual
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance - Powell Bill	220,856	-	(220,856)	-
Sale of capital assets	16,000	36,384	20,384	37,339
Insurance claims	4,000	13,353	9,353	9,415
Installment purchase proceeds	227,773	110,000	(117,773)	-
Loan repayments to Water and Sewer Fund	(22,614)	(22,614)	-	(22,614)
Transfers to other funds:				
Capital Projects Fund from Powell Bill Fund	(335,856)	-	335,856	(99,860)
Total other financing sources (uses)	<u>110,159</u>	<u>137,123</u>	<u>26,964</u>	<u>(75,720)</u>
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>626,558</u>	<u>\$ 626,558</u>	<u>313,589</u>
FUND BALANCE, BEGINNING		3,412,557		3,101,900
Change in reserve for inventories		<u>(5,283)</u>		<u>(2,932)</u>
FUND BALANCE, ENDING		<u>\$ 4,033,832</u>		<u>\$ 3,412,557</u>

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
GENERAL GOVERNMENT				
Governing body and administration:				
Salaries - elected officials	\$	\$ 33,727	\$	\$ 32,406
Salaries - regular		292,777		343,440
FICA tax		23,572		27,482
Group insurance		98,081		101,643
Retirement		20,999		22,160
Professional services		81,161		91,611
Employee training		5,159		9,241
Board training		2,179		-
Elections		-		5,345
Telephone		5,720		5,408
Postage		3,635		5,172
Travel / meetings		4,837		3,932
Repairs - equipment		5,104		2,733
Equipment - rents, leases		7,856		6,929
Advertising		6,057		4,451
Automotive supplies		213		463
Office supplies		6,989		5,053
Department supplies		2,406		2,835
Bank charges		712		846
Garbage collection		172		625
Contracted services		129		205
Govdeals auction fees		2,729		1,945
Dues		1,072		2,123
Insurance		13,320		7,200
Miscellaneous		490		3,108
Tax collection fees		11,951		9,029
Small expendable equipment		8,483		3,905
Enterprise fund administration		(629,554)		(604,431)
Total		96,728		94,859

Planning department:

Salaries - regular	133,559	124,378
FICA tax	10,073	9,366
Group insurance	12,020	11,928
Retirement	8,474	7,171
Professional services	693	1,027
Marketing Town of Williamston	5,397	4,305
Employee training	2,568	1,747
Telephone	880	888
Postage	454	489
Travel / meetings	235	432
Repairs - equipment	2,715	2,196

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Planning department, continued				
Repairs - vehicles		18		108
Advertising		284		70
Automotive supplies		2,403		247
Office supplies		192		80
Department supplies		204		94
Code enforcement		15,526		11,135
Dues		569		943
Insurance		2,984		2,016
Miscellaneous		108		-
Capital outlay		10,547		-
Small expendable equipment		-		2,169
Total	219,656	209,903	9,753	180,789
Public buildings:				
Salaries - regular		5,584		4,670
FICA tax		384		351
Utilities		10,998		11,132
Repairs - buildings and grounds		7,068		25,464
Repairs - equipment		305		942
Department supplies		2,169		2,437
Bank charges		42		42
Garbage collection		928		-
Contracted services		3,340		1,800
Insurance		7,839		7,571
Miscellaneous		48		-
Capital outlay - buildings		-		8,072
Small expendable equipment		1,968		-
Total	70,503	40,673	29,830	62,481
Town garage:				
Salaries - regular		116,048		111,977
FICA tax		7,633		7,344
Group insurance		16,145		17,298
Retirement		8,284		7,326
Professional services		169		323
Employee training		70		-
Telephone		214		197
Utilities		568		1,180
Repairs - buildings and grounds		1,031		1,406
Repairs - equipment		669		1,774
Automotive supplies		770		921
Department supplies		2,708		2,460
Bank charges		76		76

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		2016
	Budget	Actual	Actual
Town garage, continued			
Uniforms		1,528	1,535
Garbage collection		1,236	1,214
Contracted services		2,939	574
Insurance		5,414	4,922
Miscellaneous		149	120
Small expendable equipment		1,862	5,648
Total	185,814	167,513	166,295
Total general government	572,701	428,065	504,424
PUBLIC SAFETY			
Police department:			
Salaries - regular		857,218	846,857
Salaries - temporary		51,505	39,077
FICA tax		68,374	66,552
Group insurance		113,586	112,979
Retirement		114,778	104,003
Professional services		15,409	18,730
Employee training		12,997	14,434
Telephone		12,250	12,071
Postage		138	226
Travel		120	196
Repairs - equipment		3,428	2,829
Repairs - vehicles		17,285	16,059
Advertising		473	223
Automotive supplies		33,613	35,414
Office supplies		898	1,955
Department supplies		5,042	6,883
Bank charges		586	586
Uniforms		9,764	13,752
Garbage collection		-	453
Dues		1,326	1,400
Insurance		44,272	60,498
Drug control		7,000	8,000
Drug and federal forfeiture tax		950	-
Miscellaneous		1,346	1,379
Community involvement		988	1,320
Hurricane Matthew		388	-
Capital outlay		108,818	72,867
Small expendable equipment		44,137	16,597
Total	1,678,176	1,526,689	1,455,340

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		2016
	Budget	Actual	Actual
Fire department:			
Salaries - regular		260,288	286,981
Salaries - temporary		7,585	10,036
Supplemental retirement and other benefits		9,992	9,992
FICA tax		19,666	21,886
Group insurance		42,241	50,748
Retirement		18,746	19,446
On-behalf of payments - Fire		-	472
Professional services		4,512	4,333
Employee training		3,906	4,223
Telephone		4,994	3,735
Postage		192	212
Utilities		383	953
Travel		263	123
Repairs - buildings and grounds		315	754
Repairs - equipment		20,984	24,980
Automotive supplies		15,826	19,222
Office supplies		399	765
Department supplies		3,689	3,934
Bank charges		298	298
Uniforms		1,561	4,689
Garbage collection		539	525
Dues		734	634
Insurance		27,389	42,446
Miscellaneous		521	640
Lightning strike		347	-
Capital outlay		5,858	-
Small expendable equipment		21,264	23,179
Safe Kids Grant		-	918
2014 DHS Equipment Grant		-	3,534
2015 DHS Equipment Grant:			
Cylinder recovery system		-	5,446
DPR 1 Prime Mover		-	56,257
Total	537,113	472,492	601,361
Regional response team:			
Salaries - regular		41	1,037
Salaries - training		6,229	5,151
Professional services		14,980	14,995
Employee training		15,292	12,115
Telephone		456	456
Postage		-	7
Travel		400	400
Equipment repair		3,993	-

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Regional response team, continued				
Department supplies		708		188
Uniforms		4,045		2,360
Insurance		5,000		5,000
Capital outlay		-		32,612
Small expendable equipment		4,492		7,685
Total	84,230	55,636	28,594	82,006
Rescue squad:				
Salaries - regular		440,207		347,058
Salaries - temporary		14,716		31,233
Supplemental retirement		720		720
FICA tax		33,541		27,546
Group insurance		65,492		54,523
Retirement		31,806		24,061
On-behalf of payments - Rescue		-		742
Professional services		42,712		39,372
Employee training		2,754		2,705
Telephone		2,192		3,262
Postage		4		12
Utilities		11,680		10,569
Travel		60		89
Repairs - buildings and grounds		4,567		4,969
Repairs - equipment		18,671		6,400
Equipment - rents, leases		5,688		1,809
Automotive supplies		8,849		6,967
Office supplies		2,494		1,955
Department supplies		14,054		19,007
Bank charges		248		248
Uniforms		4,045		2,203
Garbage collection		1,604		1,563
Dues		892		908
Insurance		26,245		22,186
Miscellaneous		141		116
Hurricane Matthew		1,572		-
Capital outlay		12,453		-
Small expendable equipment		124		6,998
Total	778,402	747,531	30,871	617,221
Total public safety	3,077,921	2,802,348	275,573	2,755,928

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		2016
	Budget	Actual	Actual
TRANSPORTATION			
Street repair and construction:			
Salaries - regular		173,481	167,530
Salaries - temporary		2,327	1,182
FICA tax		13,463	12,641
Group insurance		35,966	34,176
Retirement		12,767	11,049
Professional services		1,181	183
Employee training		15	-
Telephone		658	629
Utilities		132,427	134,111
Travel		49	25
Repairs - buildings and grounds		-	488
Repairs - equipment		5,494	4,286
Advertising		53	35
Automotive supplies		6,147	7,100
Department supplies		6,767	3,442
Bank charges		232	232
Uniforms		4,089	3,640
Powell Bill - services		41,547	43,136
Powell Bill - equipment operations		11,474	34,614
Contracted services		84	84
Insurance		12,625	17,530
Miscellaneous		245	276
Hurricane Matthew debris cleanup		64,344	-
Capital outlay		68,463	-
Small expendable equipment		1,325	1,294
Total transportation	695,314	595,223	477,683
ECONOMIC AND PHYSICAL DEVELOPMENT			
Martin County Arts Council		6,000	6,000
Williamston Downtown		5,647	5,609
Williamston Downtown, Inc. Facade		6,000	6,000
Williamston Beautification		43	222
Hwy 17 Association		2,500	3,000
Mid-East Commission		1,777	1,584
Martin County Historical Society		2,000	-
Institute of Government		642	628
Martin County Chamber		715	1,465
Committee of 100		500	500
NCLM		6,490	6,109
Roanoke River Partners		1,500	1,500
Boys and Girls Club		15,000	-

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
ECONOMIC AND PHYSICAL DEVELOPMENT, continued				
Committee of 1000		1,000		-
Employer contributions to OPEB Trust Fund		229,448		103,857
Total economic & physical development	450,218	279,262	170,956	136,474
ENVIRONMENTAL PROTECTION				
Sanitation:				
Salaries - regular		245,459		237,873
Salaries - temporary		2,437		2,266
FICA tax		18,642		17,972
Group insurance		56,122		55,406
Retirement		17,767		15,798
Professional services		56		208
Telephone		605		550
Repairs - equipment		17,330		12,283
Advertising		35		33
Automotive supplies		19,763		24,157
Department supplies		2,437		2,103
Mosquito control		3,295		-
Martin County Landfill		11,527		11,508
Bank charges		153		153
Uniforms		6,505		6,365
Contracted services		84		84
Insurance		24,084		15,706
Miscellaneous		679		273
Hurricane Matthew debris cleanup		90		-
Capital outlay		-		26,417
Total	468,416	427,070	41,346	429,155
Cemetery:				
Salaries - regular		53,507		55,898
Salaries - temporary		3,073		2,057
FICA tax		4,304		4,390
Group insurance		11,378		11,263
Retirement		3,838		3,802
Professional services		125		-
Telephone		438		455
Utilities		706		703
Repairs - buildings and grounds		128		163
Repairs - equipment		1,901		2,163
Automotive supplies		1,484		1,250
Department supplies		1,184		1,524
Bank charges		39		39
Rooks fund expense		480		480

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Cemetery, continued				
Uniforms		952		1,133
Insurance		2,401		3,613
Miscellaneous		235		118
Capital outlay		-		5,988
Small expendable equipment		1,371		663
Total	109,114	87,544	21,570	95,702
Total environmental protection	577,530	514,614	62,916	524,857
CULTURAL AND RECREATIONAL				
Recreation:				
Salaries - regular		211,672		203,236
Salaries - temporary		68,256		73,609
FICA tax		20,187		19,864
Group insurance		29,121		28,696
Retirement		16,376		14,235
Professional services		2,459		133
Employee training		1,345		1,763
Telephone		5,179		5,364
Postage		220		342
Utilities		23,722		22,168
Travel		185		25
Repairs - buildings and grounds		56,002		27,963
Repairs - equipment		7,473		9,985
Automotive supplies		7,375		10,622
Department supplies		30,351		30,401
Bank charges		225		225
Supplies - turf grass management		9,915		15,552
Uniforms		2,459		2,285
Garbage collection		4,651		4,332
Contracted services		1,787		3,129
Dues		225		323
Insurance		14,590		16,818
Miscellaneous		2,031		4,296
Capital outlay		64,127		358,590
Small expendable equipment		6,915		1,828
Total	653,739	586,848	66,891	855,784

(continued)

Town of Williamston, North Carolina

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
Cultural:				
Martin Memorial Library		98,100		96,100
Stampede Festival		8,598		8,413
Sustainable Communities Program		500		500
Christmas decorations		5,626		292
Christmas parade		3,073		3,322
Total	117,261	115,897	1,364	108,627
 Total cultural and recreational	 771,000	 702,745	 68,255	 964,411
Debt service:				
Principal retirement	133,069	62,669	70,400	212,000
Interest	7,387	6,839	548	10,977
Total debt service	140,456	69,508	70,948	222,977
 Total expenditures	 \$ 6,285,140	 \$ 5,391,765	 \$ 893,375	 \$ 5,586,754

Town of Williamston, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2017

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,611	\$ 93,481	\$ 99,092
TOTAL ASSETS	<u>\$ 5,611</u>	<u>\$ 93,481</u>	<u>\$ 99,092</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 472	\$ 3,020	\$ 3,492
FUND BALANCES			
Assigned:			
Transportation	-	90,461	90,461
Economic and physical development	5,139	-	5,139
Total fund balances	<u>5,139</u>	<u>90,461</u>	<u>95,600</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,611</u>	<u>\$ 93,481</u>	<u>\$ 99,092</u>

Town of Williamston, North Carolina
Non-Major Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES			
Restricted intergovernmental	\$ 235,003	\$ -	\$ 235,003
Miscellaneous and project income	14,900	-	14,900
Investment earnings	-	460	460
Total revenues	<u>249,903</u>	<u>460</u>	<u>250,363</u>
EXPENDITURES			
Current:			
Economic and physical development	38,632	-	38,632
Environmental protection	233,803	-	233,803
Transportation	-	28,039	28,039
Total expenditures	<u>272,435</u>	<u>28,039</u>	<u>300,474</u>
Revenues over (under) expenditures	(22,532)	(27,579)	(50,111)
OTHER FINANCING SOURCES			
Transfers from other funds	-	118,040	118,040
Transfers to other funds	-	(118,040)	(118,040)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other uses	(22,532)	(27,579)	(50,111)
FUND BALANCE, BEGINNING	<u>27,671</u>	<u>118,040</u>	<u>145,711</u>
FUND BALANCE, ENDING	<u>\$ 5,139</u>	<u>\$ 90,461</u>	<u>\$ 95,600</u>

Town of Williamston, North Carolina
Non-Major Governmental Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	Strategic Economic Development - Golden Leaf	Brownfields Assessment Grants	CDBG Downtown Redevelopment Grant	Total Non-Major Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ 2,361	\$ -	\$ 3,250	\$ 5,611
TOTAL ASSETS	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ 3,250</u>	<u>\$ 5,611</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 472	\$ 472
FUND BALANCES				
Assigned:				
Economic and physical development	2,361	-	2,778	5,139
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ 3,250</u>	<u>\$ 5,611</u>

Town of Williamston, North Carolina
Non-Major Governmental Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017

	Strategic Economic Development - Golden Leaf	Brownfields Assessment Grants	CDBG Downtown Redevelopment Grant	Total Non-Major Special Revenue Funds
REVENUES				
Restricted intergovernmental	\$ 1,200	\$ 233,803	\$ -	\$ 235,003
Miscellaneous and project income	1,900	-	13,000	14,900
Total revenues	<u>3,100</u>	<u>233,803</u>	<u>13,000</u>	<u>249,903</u>
EXPENDITURES				
Current:				
Economic and physical development	28,410	-	10,222	38,632
Environmental protection	-	233,803	-	233,803
Total expenditures	<u>28,410</u>	<u>233,803</u>	<u>10,222</u>	<u>272,435</u>
Revenues over (under) expenditures	(25,310)	-	2,778	(22,532)
FUND BALANCE, BEGINNING	<u>27,671</u>	<u>-</u>	<u>-</u>	<u>27,671</u>
FUND BALANCE, ENDING	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ 2,778</u>	<u>\$ 5,139</u>

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual
From Inception and for the Fiscal Year Ended June 30, 2017**

STRATEGIC ECONOMIC DEVELOPMENT - GOLDEN LEAF

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental revenues:					
Martin County	\$ 4,425	\$ 3,625	\$ 800	\$ 4,425	\$ -
Martin County Tourism Development	1,950	1,950	-	1,950	-
Martin County Water Authority	500	500	-	500	-
NC Department of Commerce:					
Main Street Solutions Fund Grant	100,000	100,000	-	100,000	-
Golden Leaf Foundation	20,000	20,000	-	20,000	-
Town of Bear Grass	400	-	400	400	-
Investment earnings	10	1	-	1	(9)
Miscellaneous and project income:					
Local Funds	6,300	5,000	1,300	6,300	-
Williamston Committee of 100	8,600	8,000	600	8,600	-
Total revenues	142,185	139,076	3,100	142,176	(9)
EXPENDITURES					
Current:					
Economic and physical development:					
Strategic Economic Plan	50,810	45,030	3,410	48,440	2,370
Main Street Solutions Fund Grant:					
Accessmedicine, PA	100,000	75,000	25,000	100,000	-
Total expenditures	150,810	120,030	28,410	148,440	2,370
Revenues over (under) expenditures	(8,625)	19,046	(25,310)	(6,264)	2,361
OTHER FINANCING SOURCES					
Transfers from other funds:					
General Fund	8,625	8,625	-	8,625	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 27,671</u>	<u>(25,310)</u>	<u>\$ 2,361</u>	<u>\$ 2,361</u>
FUND BALANCE, BEGINNING			<u>27,671</u>		
FUND BALANCE, ENDING			<u>\$ 2,361</u>		

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual
From Inception and for the Fiscal Year Ended June 30, 2017**

BROWNFIELDS ASSESSMENT GRANTS

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

REVENUES

Restricted intergovernmental revenues:

EPA - Brownfields Assessment Grant - Royster Clark	\$ 168,000	\$ 28,490	\$ 117,334	\$ 145,824	\$ (22,176)
EPA - Brownfields Assessment Grant - Windsor Oil	166,800	29,736	116,469	146,205	(20,595)
Total revenues	334,800	58,226	233,803	292,029	(42,771)

EXPENDITURES

Current:

Environmental protection:

Royster Clark:

Supplies	348	157	505		
Contract Services	28,142	117,177	145,319		
Total hazardous	168,000	28,490	117,334	145,824	22,176

Windsor Oil:

Supplies	348	158	506		
Contract Services	29,388	116,311	145,699		
Total petroleum	166,800	29,736	116,469	146,205	20,595
Total expenditures	334,800	58,226	233,803	292,029	42,771

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

-

FUND BALANCE, ENDING

\$ -

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual
From Inception and for the Fiscal Year Ended June 30, 2017**

**COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT FUND - DOWNTOWN
REDEVELOPMENT GRANT**

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

REVENUES

Restricted intergovernmental revenues:

CDBG Grant \$ 335,500 \$ - \$ - \$ - \$ (335,500)

Miscellaneous and project income:

Building owners 34,000 - - - (34,000)

Williamston Downtown 6,000 - 7,000 7,000 1,000

Williamston Committee of 100 6,000 - 6,000 6,000 -

Total revenues 381,500 - 13,000 13,000 (368,500)

EXPENDITURES

Current:

Economic and physical development:

Administration - 472 472

Building up-fit - 9,750 9,750

Total expenditures 399,000 - 10,222 10,222 388,778

Revenues over (under) expenditures (17,500) - 2,778 2,778 20,278

OTHER FINANCING SOURCES

Transfers from other funds:

General Fund 17,500 - - - (17,500)

Revenues and other financing sources
over expenditures \$ - \$ - 2,778 \$ 2,778 \$ 2,778

FUND BALANCE, BEGINNING

-

FUND BALANCE, ENDING

\$ 2,778

Town of Williamston, North Carolina
Non-Major Governmental Capital Projects Funds
Combining Balance Sheet
June 30, 2017

	Skewarkee Canal Phase IV	Skewarkee Canal Phase IV-A	Total Non-Major Capital Projects Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 93,481	\$ 93,481
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 3,020	\$ 3,020
Fund balances:			
Assigned:			
Transportation	-	90,461	90,461
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 93,481	\$ 93,481

Town of Williamston, North Carolina
Non-Major Governmental Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2017

	Skewarkee Canal Phase IV	Skewarkee Canal Phase IV-A	Total Non-Major Capital Projects Funds
REVENUES			
Investment earnings	\$ -	\$ 460	\$ 460
EXPENDITURES			
Transportation:			
Capital outlay	-	28,039	28,039
Revenues over (under) expenditures	-	(27,579)	(27,579)
OTHER FINANCING SOURCES			
Transfers from other funds	-	118,040	118,040
Transfers to other funds	(118,040)	-	(118,040)
Total other financing sources	(118,040)	118,040	-
Revenues and other financing sources over (under) expenditures and other uses	(118,040)	90,461	(27,579)
FUND BALANCE (DEFICIT), BEGINNING	118,040	-	118,040
FUND BALANCE, ENDING	\$ -	\$ 90,461	\$ 90,461

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual
From Inception and for the Fiscal Year Ended June 30, 2017**

SKEWARKEE CANAL PHASE IV

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

REVENUES

Restricted intergovernmental revenues:

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

Miscellaneous and Project Income:

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

	-	1,869	-	1,869	1,869
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Total revenues	744,823	493,703	-	493,703	(251,120)
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EXPENDITURES

Transportation:

Capital outlay:

Engineering and inspections		226,596	-	226,596	
Legal and administration		32,876	-	32,876	
Construction		418,829	-	418,829	
Total expenditures	969,000	678,301	-	678,301	290,699

Revenues over (under) expenditures	(224,177)	(184,598)	-	(184,598)	39,579
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OTHER FINANCING SOURCES (USES)

Transfers from other funds:

Powell Bill Fund	168,000	168,000	-	168,000	-
Water and Sewer Fund	136,000	94,560	-	94,560	(41,440)
CDBG Rehab Loans Project	45,177	40,078	-	40,078	(5,099)

Transfers to other funds	(125,000)	-	(118,040)	(118,040)	6,960
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Total other financing sources	224,177	302,638	(118,040)	184,598	(39,579)
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Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 118,040</u>	<u>(118,040)</u>	<u>\$ -</u>	<u>\$ -</u>
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FUND BALANCE, BEGINNING

118,040

FUND BALANCE, ENDING

\$ -

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

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual
From Inception and for the Fiscal Year Ended June 30, 2017**

SKEWARKEE CANAL PHASE IV-A RAILROAD CULVERT IMPROVEMENTS PROJECT

Project Author - ization	Actual			Variance Positive (Negative)	
	Prior Years	Current Year	Total to Date		
REVENUES					
Restricted intergovernmental revenues:					
NCDEQ - DWR Grant	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Investment earnings	-	-	460	460	460
Total revenues	200,000	-	460	460	(199,540)
EXPENDITURES					
Transportation:					
Capital outlay:					
Technical services		41,440	26,898	68,338	
Legal services		-	1,141	1,141	
Total expenditures	1,396,440	41,440	28,039	69,479	1,326,961
Revenues over (under) expenditures	(1,196,440)	(41,440)	(27,579)	(69,019)	1,127,421
OTHER FINANCING SOURCES (USES)					
USDA long-term debt financing	1,030,000	-	-	-	(1,030,000)
Transfers from other funds:					
Water and Sewer Fund	41,440	41,440	-	41,440	-
Skewarkee Canal Phase IV	125,000	-	118,040	118,040	(6,960)
Total other financing sources	1,196,440	41,440	118,040	159,480	(1,036,960)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	90,461	\$ 90,461	\$ 90,461
FUND BALANCE, BEGINNING			-		
FUND BALANCE, ENDING			\$ 90,461		

Town of Williamston, North Carolina

Water and Sewer Fund

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
REVENUES				
Charges for services:				
Water sales	\$	\$ 1,328,874	\$	\$ 2,345,212
Water District 1 sales		111,613		188,574
Water District 2 sales		228,568		381,927
Sewer sales		1,753,324		1,749,775
Martin County Regional Water and Sewer Authority fees		918,154		-
Water and sewer taps		4,320		5,800
Total charges for services	4,697,900	4,344,853	(353,047)	4,671,288
Other operating revenues:				
Late penalties	36,000	42,960	6,960	42,740
Total operating revenues	4,733,900	4,387,813	(346,087)	4,714,028
Non-operating revenues:				
Investment earnings		38,721		20,110
Disaster Grants - Public Assistance		7,995		-
NC Department of Environmental Quality - Wastewater TAG Grant		-		36,693
Miscellaneous		1,614		1,377
Total non-operating revenues	14,708	48,330	33,622	58,180
Total revenues	4,748,608	4,436,143	(312,465)	4,772,208
EXPENDITURES				
Water treatment and distribution	2,330,867	2,048,256	282,611	2,138,419
Water District 1	43,182	43,182	-	42,742
Water District 2	123,279	123,278	1	144,180
Waste collection and treatment	1,178,120	1,001,048	177,072	1,123,480
Debt service	829,330	829,214	116	626,383
Capital outlay	244,830	153,934	90,896	74,013
Total expenditures	4,749,608	4,198,912	550,696	4,149,217
Revenues over (under) expenditures	(1,000)	237,231	238,231	622,991
OTHER FINANCING SOURCES (USES)				
Appropriated net position	757,500	-	(757,500)	-
Sale of capital assets	1,000	-	(1,000)	-
Loan repayments from General Fund	-	22,614	22,614	22,614
Transfers to other funds:				
Water & Sewer Capital Projects Fund	(757,500)	(35,981)	721,519	(278,640)
Total other financing sources (uses)	1,000	(13,367)	(14,367)	(256,026)
Revenues and other financing sources over expenditures and other uses	\$ -	\$ 223,864	\$ 223,864	\$ 366,965

Town of Williamston, North Carolina

Water and Sewer Fund

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

2017			2016
Budget	Actual	Variance Positive (Negative)	Actual

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

Revenues and other financing sources over expenditures and other uses	\$ 223,864	\$ 366,965
Reconciling items:		
Principal retirement	745,071	570,444
Capital outlay	153,934	74,013
Decrease in net pension asset	-	(44,586)
Increase (decrease) in deferred outflows of resources pensions	104,168	(1,676)
Increase in net pension liability	(123,746)	(31,549)
Decrease in deferred inflows of resources - pensions	11,194	91,297
Increase in accrued vacation pay	(7,337)	(3,192)
(Increase) decrease in accrued OPEB liability	49,047	(16,812)
Depreciation	(623,031)	(622,585)
Capital contributions	84,900	-
Loan repayments from General Fund	(22,614)	(22,614)
Transfer of capital assets and related debt to governmental activities	(19,194)	-
Transfer from other funds:		
General Fund	-	65,000
Transfers to other funds:		
Water and Sewer Capital Projects Fund	35,981	278,640
Total reconciling items	<u>388,373</u>	<u>336,380</u>
Change in net position	<u>\$ 612,237</u>	<u>\$ 703,345</u>

Town of Williamston, North Carolina
Water and Sewer Fund
Schedule of Expenditures- Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
WATER TREATMENT AND DISTRIBUTION				
Administration expense	\$	\$ 341,492	\$	\$ 245,650
Salaries - regular		202,938		189,492
Salaries - temporary		10,184		10,635
FICA tax		15,786		14,741
Group insurance		29,351		27,004
Employer contributions to OPEB Trust Fund		51,008		15,377
Retirement		15,286		13,203
Professional services		3,222		6,448
Employee training		1,558		2,518
Telephone		3,838		3,564
Postage		3,815		4,064
Utilities		19,475		48,530
Travel		260		95
Repairs - buildings and grounds		-		28
Repairs - equipment		5,412		14,941
Advertising		38		160
Automotive supplies		13,341		14,997
Department supplies		19,244		33,795
Bank charges		450		450
Uniforms		2,615		2,858
Contracted services		61,720		54,754
Dues		4,112		3,313
Insurance		16,843		16,599
Miscellaneous		2,468		-
Small expendable equipment		5,572		49,973
Repair / replace fire hydrants		9,801		11,719
Repair lines		-		11,400
Water purchases		1,204,933		1,312,408
Martin County Regional Water Authority membership fees		-		17,586
Bad debts		3,494		12,117
Total water treatment and distribution	2,330,867	2,048,256	282,611	2,138,419
WATER DISTRICT 1				
Monthly overhead costs		43,182		42,742
Total Water District 1	43,182	43,182	-	42,742

(continued)

Town of Williamston, North Carolina
Water and Sewer Fund
Schedule of Expenditures- Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
WATER DISTRICT 2				
Water service fees		-		19,648
Monthly overhead costs		123,278		124,532
Total Water District 2	123,279	123,278	1	144,180
WASTE COLLECTION AND TREATMENT				
Administration expense		288,626		358,781
Salaries - regular		247,812		238,644
Salaries - temporary		6,809		4,175
FICA tax		19,061		18,182
Group insurance		39,181		40,982
Employer contributions to OPEB Trust Fund		40,000		10,000
Retirement		18,241		15,952
Professional services		10,897		3,230
Employee training		1,179		2,578
Telephone		3,931		3,889
Postage		9,013		9,521
Utilities		124,177		100,493
Travel		70		70
Repairs - buildings and grounds		4,717		519
Repairs - equipment		46,786		102,874
Advertising		116		154
Automotive supplies		5,546		7,128
Office supplies		45		391
Department supplies		27,264		26,893
Lab supplies		5,702		8,275
Bank charges		801		801
Uniforms		4,172		4,803
Garbage collection		1,084		1,263
Contracted services		26,136		72,436
Dues		8,661		8,555
Insurance		42,992		49,049
Miscellaneous		479		77
Small expendable equipment		7,707		2,282
Line repairs		-		3,210
Hurricane Matthew		2,012		-
Bad debts		7,831		28,273
Total waste collection and treatment	1,178,120	1,001,048	177,072	1,123,480

(continued)

Town of Williamston, North Carolina
Water and Sewer Fund
Schedule of Expenditures- Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
DEBT SERVICE				
Principal retirement	745,073	745,071	2	570,444
Interest and other charges	84,257	84,143	114	55,939
Total debt service	829,330	829,214	116	626,383
CAPITAL OUTLAY				
Water capital outlay		84,774		46,928
Sewer capital outlay		69,160		27,085
Total capital outlay	244,830	153,934	90,896	74,013
Total expenditures	\$ 4,749,608	\$ 4,198,912	\$ 550,696	\$ 4,149,217

Town of Williamston, North Carolina

Storm Water Fund

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

For the Fiscal Year Ended June 30, 2017

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Charges for services:				
Storm Water fees	\$ 46,260	\$ 57,043	\$ 10,783	\$ -
EXPENDITURES				
Debt service	46,260	-	46,260	-
Revenues over expenditures	<u>\$ -</u>	57,043	<u>\$ 57,043</u>	\$ -
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL BASIS:				
Reconciling items:				
None		-		-
Change in net position		<u>\$ 57,043</u>		<u>\$ -</u>

Town of Williamston, North Carolina
Water and Sewer Fund Capital Projects Fund
Schedule of Revenue and Expenditures- Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

ANNEXATION AREA A

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Professional services		19,326	3,003	22,329	
Project administration and permitting		106,042	6,612	112,654	
Technical services		421,882	332,286	754,168	
Easement acquisition and miscellaneous		97,900	52	97,952	
Construction		772,611	2,474,020	3,246,631	
Total expenditures		5,972,000	1,417,761	2,815,973	4,233,734
Revenues over (under) expenditures		(5,972,000)	(1,417,761)	(2,815,973)	(4,233,734)
OTHER FINANCING SOURCES					
NC Clean Water Revolving Loan	4,230,300	940,900	2,126,841	3,067,741	(1,162,559)
Installment purchase proceeds - streets	600,000	-	600,000	600,000	-
Transfers from other funds:					
Water and Sewer Fund	749,500	302,472	28,481	330,953	(418,547)
General Fund	163,000	89,935	-	89,935	(73,065)
Powell Bill Fund	229,200	-	-	-	(229,200)
Total other financing sources	5,972,000	1,333,307	2,755,322	4,088,629	(1,883,371)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (84,454)	\$ (60,651)	\$ (145,105)	\$ (145,105)

Town of Williamston, North Carolina
Water and Sewer Fund Capital Projects Fund
Schedule of Revenue and Expenditures- Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

WATER SYSTEM ASSET INVENTORY ASSESSMENT PROJECT

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
NCDEQ - DWI Grant	\$ 150,000	\$ -	\$ 84,900	\$ 84,900	\$ (65,100)
EXPENDITURES					
AIA Project consulting fee		-	92,400	92,400	
Total expenditures	157,500	-	92,400	92,400	65,100
Revenues over (under) expenditures	(7,500)	-	(7,500)	(7,500)	-
OTHER FINANCING SOURCES					
Transfers from other funds:					
Water and Sewer Fund	7,500	-	7,500	7,500	-
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This Section Contains additional information required on property taxes.

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

Town of Williamston, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 2,805,379 (a)	\$ 2,618,131 (b)	\$ 920 (a)	\$ 186,328 (c)
2015-2016	152,902	-	34,692	344	117,866
2014-2015	130,783	-	35,460	290	95,033
2013-2014	79,990	-	18,840	286	60,864
2012-2013	68,773	-	10,808	286	57,679
2011-2012	43,288	-	3,276	287	39,725
2010-2011	29,730	-	3,045	-	26,685
2009-2010	24,953	-	2,309	-	22,644
2008-2009	13,573	-	1,229	-	12,344
2007-2008	11,350	-	619	-	10,731
2006-2007	6,464	-	2	6,462	-
	<u>\$ 561,806</u>	<u>\$ 2,805,379</u>	<u>\$ 2,728,411 (d)</u>	<u>\$ 8,875</u>	<u>629,899</u>

Less: allowance for uncollectible ad valorem taxes receivable (39,046)

Ad valorem taxes receivable - net \$ 590,853

Reconciliation to Revenues:

Ad valorem taxes - General Fund \$ 2,764,861

Reconciling items:

Penalties and interest collected (36,450)

Total collections and credits \$ 2,728,411 (d)

The lower case letters next to certain amounts on the Analysis of Current Tax Levy and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Town of Williamston, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2017

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 377,166,081	\$ 0.74	\$ 2,791,029	\$ 2,543,424	\$ 247,605
DISCOVERIES:					
Current year taxes	1,939,189		14,350	14,350	-
ABATEMENTS	(124,324)		(920)	(920)	-
Total property valuation	<u>\$ 378,980,946</u>				
Net levy			2,804,459 (a)	2,556,854	247,605
Uncollected taxes at June 30, 2017			<u>(186,328) (c)</u>	<u>(186,328)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,618,131 (b)</u>	<u>\$ 2,370,526</u>	<u>\$ 247,605</u>
Current levy collection percentage			<u>93.36%</u>	<u>92.71%</u>	<u>100.00%</u>

The lower case letters next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Compliance Section



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Williamston, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Williamston's basic financial statements and have issued our report thereon dated August 10, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cary Riggs & Ingram, L.L.C.

Wilson, North Carolina
August 10, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Williamston, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Williamston's major federal programs for the year ended June 30, 2017. The Town of Williamston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Williamston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Carly Riggs & Ingram, L.L.C.

Wilson, North Carolina
August 10, 2018

**Town of Williamston, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

66.458 Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? yes no



**Town of Williamston, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported



**Town of Williamston, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

No corrective action required.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No corrective action required.



**Town of Williamston, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017**

As of June 30, 2017, the Town of Williamston had no unresolved findings from prior years.

**Town of Williamston, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal - (Direct and Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients
FEDERAL GRANTS:					
CASH ASSISTANCE:					
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Direct Program:					
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements Passed-through N.C. Department of Environmental Quality Clean Water State Revolving Funds Cluster:	66.818	EPA-OSWER- OBLR-10-09	\$ 233,803	\$ -	\$ -
Capitalization Grants for Clean Water State Revolving Funds Total Clean Water State Revolving Funds Cluster	66.458	CS370435-06	2,126,841	-	-
Total U.S. Environmental Protection Agency			2,360,644	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed-through N.C. Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total U.S. Department of Homeland Security	97.036	081817-0253	126,194	-	-
TOTAL FEDERAL AWARDS			2,486,838	-	-

(continued)

Town of Williamston, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal - (Direct and Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients
STATE GRANTS:					
CASH ASSISTANCE:					
N.C. DEPARTMENT OF TRANSPORTATION					
Non-State System Street-Aid Allocation (Powell Bill)		WBS 32570	-	53,021	-
N.C. DEPARTMENT OF ENVIRONMENTAL QUALITY - DIVISION OF WATER INFRASTRUCTURE					
Asset Inventory Assessment Grant			-	84,900	-
N.C. DEPARTMENT OF COMMERCE					
Main Street Solutions Fund Grant			-	25,000	25,000
N.C. DEPARTMENT OF PUBLIC SAFETY					
Regional Response Team Grant		072916-0408	-	55,636	-
GOVERNOR'S CRIME COMMISSION					
Body Camera Grant				13,349	
TOTAL STATE AWARDS			-	231,906	25,000
TOTAL FEDERAL AND STATE AWARDS			\$ 2,486,838	\$ 231,906	\$ 25,000

(continued)

Town of Williamston, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

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 the Town of Williamston under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Williamston, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Williamston.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Costs

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

Note 4: Contingencies

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in required reimbursements due to disallowed expenditures. Based upon experience, the Town does not believe that such disallowance, if any, would have a material effect on the financial position of the Town.

Note 5: Noncash Assistance

The Town did not receive any federal noncash assistance for the fiscal year ended June 30, 2017.