

**TOWN OF ERWIN  
ERWIN, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2016**



TOWN OF ERWIN, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2016

Patsy M. Carson, Mayor

BOARD OF COMMISSIONERS

Randy L. Baker  
Ricky Blackmon  
Alvestor L. McKoy

Billy Turnage  
Frankie Ballard  
Thurman E. Whitman

TOWN OFFICERS

Deborah G. Chestnut  
Finance Director

Richard Hicks, Interim Town Manager

Cynthia B. Patterson  
Town Clerk

C. Mac Hunter  
Attorney



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## FINANCIAL SECTION







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Alan W. Thompson, CPA

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Erwin, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 of material misstatement.

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

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

### ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-9), the Law Enforcement Special Separation Allowance's (pages 38-39), the Other Post Employment Benefits' Schedule of Funding Progress (page 40) and Schedules of Employer Contributions Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions (pages 41-42), 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 basic financial statements of the Town of Erwin, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of Town of Erwin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Erwin's internal control over financial reporting and compliance.

***Thompson, Price, Scott, Adams & Co., PA***

Elizabethtown, North Carolina

October 10, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

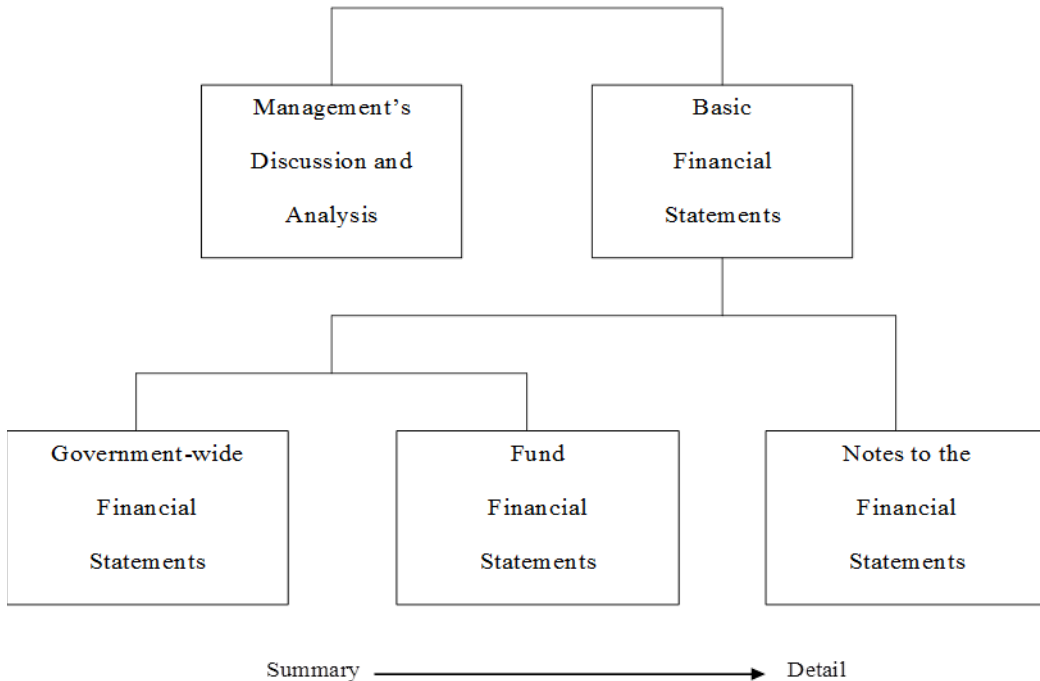
- The assets and deferred outflows of resources of the Town of Erwin exceeded its liabilities and deferred inflows or resources at the close of the fiscal year by \$7,482,640(*net position*).
- The government's total net position decreased by \$711,979 primarily due to decreases in the governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$4,593,728 a decrease of \$684,702. Approximately 15 percent of this total amount, or \$692,289 is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$932,941 or 27 percent of total general fund expenditures for the fiscal year.
- The Town of Erwin's long term debt consists of compensated absences, other post-employment obligation and net pension obligations.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Required Components of Annual Financial Report

Figure 1



## **BASIC FINANCIAL STATEMENTS**

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

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

The government-wide statements have only one category: 1) governmental activities. The governmental activities include all of the Town's basic services such as public safety, environmental protection, transportation, parks and recreation, and general administration. Property taxes, sales taxes and State and federal grant funds finance most of these activities.

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

## **FUND FINANCIAL STATEMENTS**

The fund financial statements (see Figure 1) provide a more detailed look at the Town of Erwin'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 Erwin, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Erwin can be divided into one category: governmental funds.

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

Management Discussion and Analysis  
**Town of Erwin**

The Town of Erwin 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.

**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 of this audit report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Erwin’s progress in funding its obligation to provide various benefits to its employees. Required supplementary information can be found beginning on page 38 of this report.

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

**Government-Wide Financial Analysis**

**Town of Erwin’s Net Position**  
**Figure 2**

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2016                    | 2015                |
| <b>Assets</b>                                       |                         |                     |
| Current and other assets:                           | \$ 4,755,776            | \$ 5,543,569        |
| Capital Assets                                      | 3,090,262               | 3,168,802           |
| Deferred Outflows of Resources                      | 91,014                  | 94,531              |
| Total assets  | <u>7,937,052</u>        | <u>8,806,902</u>    |
| <b>Liabilities</b>                                  |                         |                     |
| Long-term liabilities outstanding                   | 236,916                 | 144,248             |
| Other liabilities                                   | 175,988                 | 221,622             |
| Deferred inflows of resources                       | 41,508                  | 246,413             |
| Total liabilities and deferred inflows of resources | <u>454,412</u>          | <u>612,283</u>      |
| <b>Net Position</b>                                 |                         |                     |
| Net Investment in Capital Assets                    | 3,090,262               | 3,168,802           |
| Restricted  | 692,289                 | 640,675             |
| Unrestricted(Deficit)                               | <u>3,700,089</u>        | <u>4,385,142</u>    |
| Total Net Position                                  | <u>\$ 7,482,640</u>     | <u>\$ 8,194,619</u> |

Management Discussion and Analysis  
**Town of Erwin**

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 resources of the Town of Erwin exceeded liabilities and deferred inflows of resources by 7,482,640 as of June 30, 2016. The Town's net position decreased by \$711,979 for the fiscal year ended June 30, 2016. However, a portion, \$3,090,262 (41%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Erwin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Erwin'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 Erwin's net position of \$692,289 (9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,700,089 (50%) is unrestricted.

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

- Revenues decreased.
- Expenditures also decreased.

**Town of Erwin's Changes in Net Position**  
**Figure 3**

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2016                    | 2015                |
| Revenues  |                         |                     |
| Program Revenues  |                         |                     |
| Charges for Services  | \$ 498,537              | \$ 423,756          |
| Grants and Entitlements   | 190,223                 | 345,928             |
| General Revenue   |                         |                     |
| Property Taxes  | 1,212,268               | 1,241,183           |
| Grants and contributions not<br>restricted to specific programs | 749,251                 | 713,137             |
| Other Taxes   | 174,732                 | 177,460             |
| Investment Earnings   | 7,129                   | 10,995              |
| Other   | 47,519                  | 16,787              |
| Total Revenues  | <u>2,879,659</u>        | <u>2,929,246</u>    |
| Expenses  |                         |                     |
| General Government  | 964,520                 | 738,444             |
| Public Safety   | 1,037,854               | 1,119,110           |
| Transportation  | 688,215                 | 667,082             |
| Environmental Protection  | 333,897                 | 342,026             |
| Cultural and Recreation   | 567,152                 | 1,142,334           |
| Total Expenses  | <u>3,591,638</u>        | <u>4,008,996</u>    |
| Increase(Decrease) in Net Position                              | <u>(711,979)</u>        | <u>(1,079,750)</u>  |
| Net Position, beginning   | <u>8,194,619</u>        | <u>9,274,369</u>    |
| Net Position, ending  | <u>\$ 7,482,640</u>     | <u>\$ 8,194,619</u> |

**Governmental Activities** - Governmental activities decreased the Town of Erwin's net position by \$711,979, thereby accounting for all of the reduction in the net position of the Town of Erwin. Key elements of the decrease were mentioned above. However, the decrease was smaller than the previous year.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

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

The general fund is the chief operating fund of the Town of Erwin. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$932,941, while total fund balance reached \$1,437,001.

At June 30, 2016, the governmental funds of Town of Erwin reported a combined fund balance of \$4,593,728 with a net decrease in fund balance of \$684,702. Included in this change in fund balance is a decrease in fund balance of the General Fund.

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

The more notable budget amendments made by the Town of Erwin during fiscal year ending June 30, 2016 are as follows:

- Additional improvements to Town infrastructure and purchase of fixed assets.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town of Erwin's investment in capital assets for its governmental activities as of June 30, 2016, totals \$3,090,262 (net of accumulated depreciation). These assets include buildings, machinery and equipment, and vehicles.

Major capital asset transactions during the fiscal year include the following:

- The addition of vehicles.
- Wall of Fame project in the Town park.
- The start of a renovation project on the depot.
- Equipment in the Parks and Recreation department.

**Town of Erwin’s Capital Assets  
(net of depreciation)  
Figure 4**

|                              | Governmental Activities |              |
|------------------------------|-------------------------|--------------|
|                              | 2016                    | 2015         |
| Land                         | \$ 191,207              | \$ 191,207   |
| Construction in Progress     | 52,696                  | 60,288       |
| Buildings and Improvements   | 1,820,453               | 1,886,881    |
| Equipment                    | 148,167                 | 140,416      |
| Vehicles and Motor Equipment | 327,032                 | 411,405      |
| Infrastructure               | 460,378                 | 470,410      |
| Land Improvements            | 90,329                  | 8,195        |
| Furniture                    | -                       | -            |
|                              | \$ 3,090,262            | \$ 3,168,802 |

Additional information on the Town’s capital assets can be found beginning on page 26. of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2016, the Town of Erwin has no outstanding debt.

North Carolina general statues limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Erwin is \$19,957,033. The Town did not issue any bonds during the fiscal year 2015-2016. Additional information regarding the Town’s long-term debt can be found beginning on page 34.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

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

- The Town of Erwin’s capability to grow its tax base while implementing a fiscally conservative policy has allowed the tax rate to remain consistent, although the County Revaluation has increased the overall tax base with increases to property values within the Town, and serves as an indicator of the progressing economy in Erwin.
- The Town of Erwin must seek to diversify its economy and move from its roots of manufacturing reliance. Efforts are underway to expand and enhance the commercial growth corridor of 421 as well as a downtown revitalization initiative.

The Town will continually need to closely examine all areas of revenues and expenditures as part of standard operations of procedure to increase unrestricted revenue. The Town of Erwin continues to experience economic challenges as a result of the closure of the Town of Erwin’s and Harnett County’s former largest manufacturing employer, Swift Denim, Inc.



**BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2017**

**Governmental Activities – General Fund**

The Town of Erwin has included an increase to the ad valorem tax rate of 4 cents per \$100 in value with the 2016-2017 adopted budget. Due to external economic factors, the Town of Erwin does not expect increases in the collection of revenues from state shared sales or franchise taxes. The lack of expected increases is anticipated to lead to the sustaining of budgeted revenue for the fiscal year ending June 30, 2017. The Town will use these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to remain relatively consistent with previous levels due to continued and focused efforts by management to contain expenses and continue to deliver necessary services.

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the Town of Erwin'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 Richard N. Hicks, Interim Town Manager, Town of Erwin, P.O. Box 459, Erwin NC 28339. Mr. Hicks can be reached by e-mail at [townmanager@erwin-nc.org](mailto:townmanager@erwin-nc.org) or by telephone at (910) 897-5140. Additional information about the unit may be obtained from the Town of Erwin website at [www.erwin-nc.org](http://www.erwin-nc.org).

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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## Basic Financial Statements

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TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Town of Erwin, North Carolina  
**Statement of Net Position**  
June 30, 2016

Exhibit 1

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                             |                            |
| Current assets:                           |                            |
| Cash & cash equivalents                   | \$ 4,114,425               |
| Restricted cash                           | 234,765                    |
| Taxes receivable (net)                    | 49,689                     |
| Accrued interest receivable on taxes      | 13,573                     |
| Due from other governments                | 343,324                    |
| Total current assets                      | 4,755,776                  |
| Non-current Assets:                       |                            |
| Capital Assets:                           |                            |
| Land and nondepreciable improvements      | 243,903                    |
| Other capital assets, net of depreciation | 2,846,359                  |
| Total capital assets                      | 3,090,262                  |
| Total Assets                              | 7,846,038                  |
| <b>Deferred Outflows of Resources</b>     | 91,014                     |
| <b>Liabilities</b>                        |                            |
| Current liabilities:                      |                            |
| Accounts payable and accrued liabilities  | \$ 97,913                  |
| Current portion of long-term debt         | 78,075                     |
| Long-term Liabilities:                    |                            |
| Net pension liability                     | 78,180                     |
| Due in more than one year                 | 158,736                    |
| Total liabilities                         | 412,904                    |
| <b>Deferred Inflows of Resources</b>      | 41,508                     |
| <b>Net Position</b>                       |                            |
| Net Investment in capital assets          | 3,090,262                  |
| Restricted for:                           |                            |
| Stabilization by state statute            | 457,524                    |
| Transportation                            | 231,818                    |
| Public safety                             | 2,947                      |
| Unrestricted                              | 3,700,089                  |
| Total Net Position                        | \$ 7,482,640               |

Town of Erwin, North Carolina  
**Statement of Activities**  
For the Year Ended June 30, 2016

Exhibit 2

| Functions/Programs   | Expenses               | Program Revenues                         |  | Net (Expense) Revenue<br>and Changes<br>in Net Position |              |
|--|------------------------|--|--|---|--------------|
| Primary Government:<br>Governmental Activities:              | Charges for<br>Service | Operating Grants<br>and<br>Contributions | Capital Grants<br>and<br>Contributions | Governmental<br>Activities                              |              |
| General Government   | \$ 964,520             | \$ 33,648                                | \$ -                                   | \$ -  | \$ (930,872) |
| Public Safety  | 1,037,854              | 414                                      | 9,739                                  | -   | (1,027,701)  |
| Transportation   | 688,215                | 7,945                                    | 142,176                                | -   | (538,094)    |
| Environmental Protection                                     | 333,897                | 415,051                                  | -                                      | -   | 81,154       |
| Cultural and Recreation                                      | 567,152                | 41,479                                   | -                                      | 38,308  | (487,365)    |
| Total Governmental Activities                                | \$ 3,591,638           | \$ 498,537                               | \$ 151,915                             | \$ 38,308   | (2,902,878)  |
| General Revenues:  |                        |  |  |   |              |
| Taxes:   |                        |  |  |   |              |
| Property taxes, levied for general purpose                   |                        |  |  |   | 1,212,268    |
| Other taxes  |                        |  |  |   | 174,732      |
| Grants and contributions not restricted to specific programs |                        |  |  |   | 749,251      |
| Investment earnings, unrestricted                            |                        |  |  |   | 7,129        |
| Miscellaneous, unrestricted                                  |                        |  |  |   | 47,519       |
| Total general revenues                                       |                        |  |  |   | 2,190,899    |
| Change in net position                                       |                        |  |  |   | (711,979)    |
| Net position - beginning, previously reported                |                        |  |  |   | 8,194,619    |
| Net position - Ending  |                        |  |  |   | \$ 7,482,640 |

Town of Erwin, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2016

Exhibit 3

|  | Major Funds         |                               |                        |                                  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|------------------------|----------------------------------|-----------------------------|--------------------------------|
|  | General Fund        | Rail Trail<br>Capital Project | Textile<br>Museum Fund | Community<br>Enhancement<br>Fund |                             |                                |
| <b>Assets</b>                            |                     |                               |                        |                                  |                             |                                |
| Cash and cash equivalents                | \$ 1,058,441        | \$ 43,659                     | \$ -                   | \$ 3,011,200                     | \$ 1,125                    | \$ 4,114,425                   |
| Restricted cash                          | 234,765             | -                             | -                      | -                                | -                           | 234,765                        |
| Receivables (net):                       |                     |                               |                        |                                  |                             |                                |
| Taxes                                    | 49,689              | -                             | -                      | -                                | -                           | 49,689                         |
| Accounts                                 | -                   | -                             | -                      | -                                | -                           | -                              |
| Due from other funds                     | -                   | -                             | -                      | 114,200                          | -                           | 114,200                        |
| Due from other governments               | 265,426             | 52,165                        | -                      | 4,839                            | 20,894                      | 343,324                        |
| Total assets                             | <u>\$ 1,608,321</u> | <u>\$ 95,824</u>              | <u>\$ -</u>            | <u>\$ 3,130,239</u>              | <u>\$ 22,019</u>            | <u>\$ 4,856,403</u>            |
| <b>Liabilities</b>                       |                     |                               |                        |                                  |                             |                                |
| Accounts payable and accrued liabilities | \$ 90,758           | \$ 7,155                      | \$ -                   | \$ -                             | \$ -                        | \$ 97,913                      |
| Due to other funds                       | 30,000              | 84,200                        | -                      | -                                | -                           | 114,200                        |
| Total liabilities                        | <u>120,758</u>      | <u>91,355</u>                 | <u>-</u>               | <u>-</u>                         | <u>-</u>                    | <u>212,113</u>                 |
| <b>Deferred inflows of resources</b>     |                     |                               |                        |                                  |                             |                                |
| Property tax receivable                  | 49,689              | -                             | -                      | -                                | -                           | 49,689                         |
| Prepaid taxes                            | 873                 | -                             | -                      | -                                | -                           | 873                            |
| Total deferred inflows of resources      | <u>50,562</u>       | <u>-</u>                      | <u>-</u>               | <u>-</u>                         | <u>-</u>                    | <u>50,562</u>                  |

Town of Erwin, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2016

Exhibit 3

|  | Major Funds         |                               |                        |                                  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|------------------------|----------------------------------|-----------------------------|--------------------------------|
|  | General Fund        | Rail Trail<br>Capital Project | Textile<br>Museum Fund | Community<br>Enhancement<br>Fund |                             |                                |
| <b>Fund Balances:</b>  |                     |                               |                        |                                  |                             |                                |
| Restricted   |                     |                               |                        |                                  |                             |                                |
| Stabilization by State Statute                                     | 265,426             | 52,165                        | -                      | 119,039                          | 20,894                      | 457,524                        |
| Streets  | 231,818             | -                             | -                      | -                                | -                           | 231,818                        |
| Public Safety  | 2,947               | -                             | -                      | -                                | -                           | 2,947                          |
| Committed  |                     |                               |                        |                                  |                             |                                |
| Cultural and Recreation  | -                   | (47,696)                      | -                      | -                                | 1,125                       | (46,571)                       |
| Capital Projects   | -                   | -                             | -                      | 3,011,200                        | -                           | 3,011,200                      |
| Employee Health Reserve  | 3,869               | -                             | -                      | -                                | -                           | 3,869                          |
| Assigned   |                     |                               |                        |                                  |                             |                                |
| Subsequent Year  |                     |                               |                        |                                  |                             |                                |
| Expenditures   | -                   | -                             | -                      | -                                | -                           | -                              |
| Unassigned   | 932,941             | -                             | -                      | -                                | -                           | 932,941                        |
| Total fund balances  | <u>1,437,001</u>    | <u>4,469</u>                  | <u>-</u>               | <u>3,130,239</u>                 | <u>22,019</u>               | <u>4,593,728</u>               |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,608,321</u> | <u>\$ 95,824</u>              | <u>\$ -</u>            | <u>\$ 3,130,239</u>              | <u>\$ 22,019</u>            | <u>\$ 4,856,403</u>            |



Town of Erwin, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2016

Exhibit 3, continued

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

|   |                    |                         |
|---|--------------------|-------------------------|
| Total Fund Balance, Governmental Funds  |                    | 4,593,728               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |                    |                         |
| Gross capital assets at historical cost   | \$ 5,510,080       |                         |
| Accumulated depreciation  | <u>(2,419,818)</u> | \$ 3,090,262            |
| Deferred outflows of resources related to pensions are not reported in the funds  |                    | 91,014                  |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows or resources.  |                    | 13,573                  |
| Earned revenues considered deferred inflows of resources in fund statements.  |                    | 49,689                  |
| Some liabilities, including bonds payable, accrued interest, post employment benefits and compensated absences are not due and payable in the current period and therefore are not reported in the funds. |                    | (236,811)               |
| Net pension liability   |                    | (78,180)                |
| Pension related deferrals   |                    | <u>(40,635)</u>         |
| Net position of governmental activities   | \$                 | <u><u>7,482,640</u></u> |

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

Exhibit 4

|                                       | Major Funds      |                               |                        |                                  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------|------------------|-------------------------------|------------------------|----------------------------------|-----------------------------|--------------------------------|
|                                       | General<br>Fund  | Rail Trail<br>Capital Project | Textile<br>Museum Fund | Community<br>Enhancement<br>Fund |                             |                                |
| <b>Revenues</b>                       |                  |                               |                        |                                  |                             |                                |
| Ad valorem taxes                      | \$ 1,207,565     | \$ -                          | \$ -                   | \$ -                             | \$ -                        | \$ 1,207,565                   |
| Other taxes and licenses              | 174,732          | -                             | -                      | -                                | -                           | 174,732                        |
| Unrestricted intergovernmental        | 749,251          | -                             | -                      | -                                | -                           | 749,251                        |
| Restricted intergovernmental          | 151,915          | 23,308                        | -                      | -                                | -                           | 175,223                        |
| Permits and fees                      | 11,391           | -                             | -                      | -                                | -                           | 11,391                         |
| Sales and services                    | 464,475          | -                             | -                      | 22,671                           | -                           | 487,146                        |
| Other revenues                        | 58,001           | -                             | 6                      | 7,677                            | 3,967                       | 69,651                         |
| Total revenues                        | <u>2,817,330</u> | <u>23,308</u>                 | <u>6</u>               | <u>30,348</u>                    | <u>3,967</u>                | <u>2,874,959</u>               |
| <b>Expenditures</b>                   |                  |                               |                        |                                  |                             |                                |
| Current:                              |                  |                               |                        |                                  |                             |                                |
| General government                    | 1,025,942        | -                             | -                      | -                                | -                           | 1,025,942                      |
| Public safety                         | 1,020,885        | -                             | -                      | -                                | -                           | 1,020,885                      |
| Transportation                        | 494,342          | -                             | -                      | -                                | -                           | 494,342                        |
| Public works                          | 136,798          | -                             | -                      | -                                | -                           | 136,798                        |
| Environmental protection              | 335,809          | -                             | -                      | -                                | -                           | 335,809                        |
| Cultural and recreation               | 431,766          | 18,839                        | -                      | 94,960                           | 320                         | 545,885                        |
| Total expenditures                    | <u>3,445,542</u> | <u>18,839</u>                 | <u>-</u>               | <u>94,960</u>                    | <u>320</u>                  | <u>3,559,661</u>               |
| Revenues over<br>(under) expenditures | <u>(628,212)</u> | <u>4,469</u>                  | <u>6</u>               | <u>(64,612)</u>                  | <u>3,647</u>                | <u>(684,702)</u>               |

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

Exhibit 4

|   | Major Funds         |                               |                        |                                  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-------------------------------|------------------------|----------------------------------|-----------------------------|--------------------------------|
|   | General<br>Fund     | Rail Trail<br>Capital Project | Textile<br>Museum Fund | Community<br>Enhancement<br>Fund |                             |                                |
| <b>Other financing sources (uses):</b>  |                     |                               |                        |                                  |                             |                                |
| Transfers from other funds              | 147,902             | -                             | -                      | -                                | (7,000)                     | 140,902                        |
| Transfers to other funds                | -                   | -                             | (32,155)               | (108,747)                        | -                           | (140,902)                      |
| Total other financing<br>sources (uses) | <u>147,902</u>      | <u>-</u>                      | <u>(32,155)</u>        | <u>(108,747)</u>                 | <u>(7,000)</u>              | <u>-</u>                       |
| Net change in fund balance              | (480,310)           | 4,469                         | (32,149)               | (173,359)                        | (3,353)                     | (684,702)                      |
| Fund balances, beginning                | <u>1,917,311</u>    | <u>-</u>                      | <u>32,149</u>          | <u>3,303,598</u>                 | <u>25,372</u>               | <u>5,278,430</u>               |
| Fund balances, ending                   | <u>\$ 1,437,001</u> | <u>\$ 4,469</u>               | <u>\$ -</u>            | <u>\$ 3,130,239</u>              | <u>\$ 22,019</u>            | <u>\$ 4,593,728</u>            |

Town of Erwin, North Carolina  
**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Net Position**  
**Governmental Funds**  
For the Year Ended June 30, 2016

Exhibit 4,  
Continued

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

|   |    |           |
|---|----|-----------|
| Net changes in fund balances - total governmental funds | \$ | (684,702) |
|---|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|  |  |           |
|--|--|-----------|
| Capital outlay expenditures that were capitalized  |  | 216,190   |
| Depreciation expense for Governmental assets   |  | (268,297) |
| Cost of capital asset disposed of during the year, not recognized on modified accrual basis. |  | (26,431)  |

|  |  |        |
|--|--|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities |  | 71,136 |
|--|--|--------|

|  |  |       |
|--|--|-------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. |  |       |
| Change in unavailable revenue for tax revenues   |  | 4,703 |

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

|                               |  |                 |
|-------------------------------|--|-----------------|
| Compensated absences          |  | 38,268          |
| Pension expenses              |  | (48,358)        |
| Other postemployment benefits |  | (3,460)         |
| Net pension obligation        |  | <u>(11,028)</u> |

|   |    |                         |
|---|----|-------------------------|
| Total changes in net position of governmental activities. | \$ | <u><u>(711,979)</u></u> |
|---|----|-------------------------|

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

Exhibit 5

|  | General Fund     |                    |                     | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|--------------------|---------------------|---|
|  | Original         | Final              | Actual<br>Amounts   |   |
| <b>Revenues:</b>                       |                  |                    |                     |   |
| Ad valorem taxes                       | \$ 1,183,000     | \$ 1,198,900       | \$ 1,207,565        | \$ 8,665  |
| Other taxes and licenses               | 177,200          | 170,326            | 174,732             | 4,406   |
| Unrestricted intergovernmental         | 850,000          | 696,875            | 749,251             | 52,376  |
| Restricted intergovernmental           | 140,000          | 149,688            | 151,915             | 2,227   |
| Permits and fees                       | -                | 5,650              | 11,391              | 5,741   |
| Sales and services                     | 403,500          | 437,968            | 464,475             | 26,507  |
| Other revenues                         | 163,000          | 39,979             | 58,001              | 18,022  |
| Total revenues                         | <u>2,916,700</u> | <u>2,699,386</u>   | <u>2,817,330</u>    | <u>117,944</u>  |
| <b>Expenditures:</b>                   |                  |                    |                     |   |
| <b>Current:</b>                        |                  |                    |                     |   |
| General government                     | 680,106          | 1,058,609          | 1,025,942           | 32,667  |
| Public safety                          | 995,914          | 1,135,074          | 1,020,885           | 114,189   |
| Transportation                         | 508,265          | 552,965            | 494,342             | 58,623  |
| Public works                           | 150,825          | 155,726            | 136,798             | 18,928  |
| Environmental protection               | 350,772          | 370,597            | 335,809             | 34,788  |
| Cultural and recreation                | 421,182          | 473,264            | 431,766             | 41,498  |
| Total expenditures                     | <u>3,107,064</u> | <u>3,746,235</u>   | <u>3,445,542</u>    | <u>300,693</u>  |
| Revenues over (under) expenditures     | <u>(190,364)</u> | <u>(1,046,849)</u> | <u>(628,212)</u>    | <u>418,637</u>  |
| <b>Other financing sources (uses):</b> |                  |                    |                     |   |
| Transfers to other funds               | -                | -                  | -                   | -   |
| Transfers from other funds             | 25,000           | 178,006            | 147,902             | (30,104)  |
| Fund balance appropriated              | 165,364          | 868,843            | -                   | (868,843)   |
| Total other financing sources (uses)   | <u>190,364</u>   | <u>1,046,849</u>   | <u>147,902</u>      | <u>(898,947)</u>  |
| Net Change in Fund Balance             | <u>\$ -</u>      | <u>\$ -</u>        | (480,310)           | <u>\$ (480,310)</u>                                       |
| Fund balances, beginning               |                  |                    | <u>1,917,311</u>    |   |
| Fund balances, ending                  |                  |                    | <u>\$ 1,437,001</u> |   |

**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Community Enhancement Fund Budget and Actual**  
For the Year Ended June 30, 2016

|  | Community Enhancement Fund |                 |                     | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--|----------------------------|-----------------|---------------------|---|
|  | Original                   | Final           | Actual<br>Amounts   |   |
| <b>Revenues:</b>                       |                            |                 |                     |   |
| Ad valorem taxes                       | \$ -                       | \$ -            | \$ -                | \$ -  |
| Other taxes and licenses               | -                          | -               | -                   | -   |
| Unrestricted intergovernmental         | -                          | -               | -                   | -   |
| Restricted intergovernmental           | -                          | -               | -                   | -   |
| Permits and fees                       | -                          | -               | -                   | -   |
| Sales and services                     | -                          | -               | 22,671              | 22,671  |
| Other revenues                         | -                          | -               | 7,677               | 7,677   |
| Total revenues                         | <u>-</u>                   | <u>-</u>        | <u>30,348</u>       | <u>30,348</u>   |
| <b>Expenditures:</b>                   |                            |                 |                     |   |
| Current:                               |                            |                 |                     |   |
| General government                     | -                          | -               | -                   | -   |
| Public safety                          | -                          | -               | -                   | -   |
| Transportation                         | -                          | -               | -                   | -   |
| Public works                           | -                          | -               | -                   | -   |
| Environmental protection               | -                          | -               | -                   | -   |
| Cultural and recreation                | -                          | 94,960          | 94,960              | -   |
| Total expenditures                     | <u>-</u>                   | <u>94,960</u>   | <u>94,960</u>       | <u>-</u>  |
| Revenues over (under) expenditures     | <u>-</u>                   | <u>(94,960)</u> | <u>(64,612)</u>     | <u>30,348</u>   |
| <b>Other financing sources (uses):</b> |                            |                 |                     |   |
| Transfers to other funds               | (213,000)                  | (120,853)       | (108,747)           | 12,106  |
| Transfers from other funds             | -                          | -               | -                   | -   |
| Fund balance appropriated              | 213,000                    | 215,813         | -                   | (215,813)   |
| Total other financing sources (uses)   | <u>-</u>                   | <u>94,960</u>   | <u>(108,747)</u>    | <u>(203,707)</u>  |
| Net Change in Fund Balance             | <u>\$ -</u>                | <u>\$ -</u>     | (173,359)           | <u>\$ (173,359)</u>                                       |
| Fund balances, beginning               |                            |                 | <u>3,303,598</u>    |   |
| Fund balances, ending                  |                            |                 | <u>\$ 3,130,239</u> |   |

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Town does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Town does not have any proprietary funds.

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 of the general government except those 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, sanitation services and cultural and recreation.

**Rail Trail Capital Project** - This fund is used to account for the capital project to create a walking trail as part of a Town park.

**Textile Museum Capital Project Fund** – This fund is used to account for the construction of a new textile museum.

**Community Enhancement Fund** - This fund was created from the sale proceeds of the Town's water and sewer system. Earnings and cell tower lease will be accumulated and expended for community enhancement projects within the Town.

The Town reports the following non-major governmental funds:

**Downtown Parking Lot Capital Project** - This fund is used to account for repaving of parking lot in the downtown area.

**Porter Park Capital Project Fund** - This fund is used to account for the improvements done to the Town recreation park.

**Priebe Field Capital Project** - This fund is used to account for grant funds and local donations for the improvement of a Town recreation park.

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

C. Measurement Focus and Basis of Accounting

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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, entitlements, 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.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Erwin because the tax is levied by Harnett 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 Community Enhancement Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi year funds. The Town manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to 5 percent of the appropriated monies for the department where the allocation is reduced; however, any revisions that alter the total expenditures of any fund or exceed the 5 percent limitation must be approved the governing board. During the year, several amendments to the original budget were necessary.



TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

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 securities of the NCCMT-Cash Portfolio a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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.

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

Restricted Cash - Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Grant and local donations raised for the purpose of a textile museum are held as restricted until expended for that purpose. Controlled substance tax and other forfeiture funds are held as restricted until expended for that purpose.

Town of Erwin Restricted Cash

|                               |                   |
|-------------------------------|-------------------|
| Governmental Activities       |                   |
| General Fund                  |                   |
| Streets                       | \$ 231,818        |
| Public Safety                 | <u>2,947</u>      |
| Total Governmental Activities | <u>\$ 234,765</u> |

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

Allowance for Doubtful Accounts - All receivables that historically experience uncollectable 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.

Inventory - The Town does not maintain any inventories.

Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets

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acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| <u>Asset Class</u>    | <u>Estimated<br/>Useful Lives</u> |
|-----------------------|-----------------------------------|
| Infrastructure        | 30                                |
| Buildings             | 40                                |
| Other Improvements    | 20                                |
| Motor Vehicles        | 5                                 |
| Equipment & Furniture | 10                                |
| Plant Assets          | 50                                |

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

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences - The vacation policy of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's governments-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 current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental-wide or proprietary funds.

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

Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by the funding source, which provides the Town with a portion of drug seizure money and property and restricted unused E911 funds.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Erwin’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.

Committed for Cultural and Recreation – portion of fund balance committed by the Board for parks and recreation expenditures.

Capital Projects – portion of fund balance committed by the Board for capital improvements.

Employee Health Reserve – portion of fund balance committed by the Board for assistance with employees’ increased health insurance deductible.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation and any modifications to the original budget.

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 Erwin adheres to the North Carolina Local Government Commission’s recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance does not go below eight percent of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Pensions - For purposes of measuring the net pension (asset)/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 Erwin’s employer contributions are recognized when due and the Town of Erwin 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.

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NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Noncompliance with N.C. General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

None.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits - All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their 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 undercollateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$4,348,990 and a bank balance of \$4,519,748. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered under the pooling method or pledged assets by the financial institution. At June 30, 2016, the Town's petty cash fund totaled \$200.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowance for doubtful accounts:

| Fund             | June 30, 2016 |
|------------------|---------------|
| General Fund     |               |
| Taxes Receivable | \$ 30,250     |
| Total            | \$ 30,250     |

TOWN OF ERWIN, NORTH CAROLINA  
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Capital Assets

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

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
|--|-------------------------------|-------------------|---------------------|----------------------------|
| <b>Governmental Activities:</b>                    |                               |                   |                     |                            |
| <b>Capital Assets not Being Depreciated:</b>       |                               |                   |                     |                            |
| Land   | \$ 191,207                    | \$ -              | \$ -                | \$ 191,207                 |
| Construction in Progress                           | 60,288                        | 18,839            | (26,431)            | 52,696                     |
| Total Capital Assets not Being Depreciated:        | <u>251,495</u>                | <u>18,839</u>     | <u>(26,431)</u>     | <u>243,903</u>             |
| <b>Capital Assets Being Depreciated:</b>           |                               |                   |                     |                            |
| Buildings  | 2,607,919                     | -                 | -                   | 2,607,919                  |
| Equipment  | 927,826                       | 23,007            | (19,888)            | 930,945                    |
| Vehicles and Motor Equipment                       | 1,052,896                     | 65,568            | (109,015)           | 1,009,449                  |
| Infrastructure                                     | 534,706                       | -                 | -                   | 534,706                    |
| Land Improvements                                  | 49,924                        | 108,776           | -                   | 158,700                    |
| Furniture  | 24,458                        | -                 | -                   | 24,458                     |
| Total Capital Assets Being Depreciated:            | <u>5,197,729</u>              | <u>197,351</u>    | <u>(128,903)</u>    | <u>5,266,177</u>           |
| <b>Less Accumulated Depreciation</b>               |                               |                   |                     |                            |
| Buildings  | 721,038                       | 66,428            | -                   | 787,466                    |
| Equipment  | 787,410                       | 15,256            | (19,888)            | 782,778                    |
| Vehicles and Motor Equipment                       | 641,491                       | 149,939           | (109,013)           | 682,417                    |
| Infrastructure                                     | 64,296                        | 10,032            | -                   | 74,328                     |
| Land Improvements                                  | 41,729                        | 26,642            | -                   | 68,371                     |
| Furniture  | 24,458                        | -                 | -                   | 24,458                     |
| Total Accumulated Depreciation                     | <u>2,280,422</u>              | <u>\$ 268,297</u> | <u>\$ (128,901)</u> | <u>2,419,818</u>           |
| <b>Total Capital Assets Being Depreciated, net</b> | <u>2,917,307</u>              |                   |                     | <u>2,846,359</u>           |
| <b>Governmental Activity Capital Assets, net</b>   | <u>\$ 3,168,802</u>           |                   |                     | <u>\$ 3,090,262</u>        |

**Primary Government**

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

|                            |                   |
|----------------------------|-------------------|
| General Government         | \$ 35,982         |
| Public Safety              | 71,308            |
| Transportation             | 88,308            |
| Cultural & Recreational    | 72,699            |
| Total Depreciation Expense | <u>\$ 268,297</u> |

**B. Liabilities**

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Erwin 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

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financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Erwin 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 Erwin's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% 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 Erwin were \$71,136 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported an liability of \$78,180 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.017420%, which was an increase of 0.0003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$48,251. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 18,377                                |
| Changes of assumptions  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments                          | -   | 22,258                                   |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 19,878  | -  |
| Town contributions subsequent to the measurement date   | 71,136  | -  |
| Total   | <u>\$ 91,014</u>                              | <u>\$ 40,635</u>                         |

\$71,136 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |                    |
|------------|--------------------|
| 2017       | \$ (19,853)        |
| 2018       | (19,853)           |
| 2019       | (19,865)           |
| 2020       | 38,814             |
| 2021       | -                  |
| Thereafter | -                  |
|            | <u>\$ (20,757)</u> |

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

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

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

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

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

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

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

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 29.0%                    | 2.2%  |
| Global Equity        | 42.0%                    | 5.8%  |
| Real Estate          | 8.0%                     | 5.2%  |
| Alternatives         | 8.0%                     | 9.8%  |
| Credit               | 7.0%                     | 6.8%  |
| Inflation Protection | 6.0%                     | 3.4%  |
| Total                | <u>100%</u>              |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. 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.

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

|   | <u>1% Decrease<br/>(6.25%)</u> | <u>Discount Rate<br/>(7.25%)</u> | <u>1% Increase<br/>(8.25%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability | \$ 545,160                     | \$ 78,180                        | \$ (315,240)                   |

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

b. Law Enforcement Officers Special Separation Allowance

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



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

|   |    |
|---|----|
| Retirees receiving benefits   | 2  |
| Terminated plan members entitled<br>to but not yet receiving benefits | -  |
| Active plan members   | 9  |
| Total   | 11 |

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

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

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

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis made in appropriations through the General Fund operating budget. During the year ended June 30, 2016, \$20,585 in benefits were paid. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are paid by the General Fund. Although the Town has chosen the pay as you go basis, it does maintain actuarial valuations that state what should be contributed now to cover benefits.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

|   |            |
|---|------------|
| Employer annual required contribution         | \$ 35,781  |
| Interest on net pension obligation            | 5,502      |
| Adjustment to annual required contribution    | (9,670)    |
| Annual pension cost                           | 31,613     |
| Employer contributions made                   | 20,585     |
| Increase (decrease) in net pension obligation | 11,028     |
| Net pension obligation beginning of year      | 110,046    |
| Net pension obligation end of year            | \$ 121,074 |

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3 Year Trend Information:

| Fiscal Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net Pension<br>Obligation |
|-----------------------|---------------------------------|-------------------------------------|---------------------------|
| 2014                  | \$ 23,491                       | 85.51%                              | \$ 101,366                |
| 2015                  | 27,160                          | 68.04%                              | 110,046                   |
| 2016                  | 31,613                          | 65.12%                              | 121,074                   |

*Funded Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$360,299. The covered payroll (annual payroll of active employees covered by the plan) was \$394,851, and the ratio of the UAAL to the covered payroll was 91.25 percent.

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

c. Supplemental Retirement Income Plan

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all qualifying employees 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 Town also contributes on behalf of all other employees. 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 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 law enforcement officer's salary, and all amounts contributed are vested immediately. For all other plan members, the Town contributes two percent. Also, plan members may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$67,803, which consisted of \$52,245 from the Town and \$15,558 from employees.

d. Other Post Employment Benefits

Healthcare Benefits

*Plan Description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and who retire with 20 years of service and are over sixty years of age, the Town pays 50% of the cost of coverage. For employees who retire with 25 years of service, regardless of their age, the Town pays 75% of the cost of coverage. For employees who retire with 30 years of service, the Town pays the full cost of coverage for those benefits. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provision. A separate report was not issued for the plan.

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

|   | General<br>Employees | Law<br>Enforcement<br>Employees |
|---|----------------------|---------------------------------|
| Retirees receiving benefits   | 2                    | 2                               |
| Terminated plan members entitled<br>to but not yet receiving benefits | -                    | -                               |
| Active plan members   | 14                   | 11                              |
| Total   | 16                   | 13                              |

*Funding Policy.* By Town resolution, the Town pays a percentage of the cost of the coverage based upon the number of creditable service years the qualified retirees have under the Town resolution. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2016, the Town's total contributions were \$11,406.

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

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

The following table shows the components of the Town's annual OPEB cost for the 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               | \$ | 14,779   |
| Interest on net OPEB obligation            |    | 87       |
| Adjustment to annual required contribution |    | -        |
| Annual OPEB cost (expense)                 |    | 14,866   |
| Contributions made                         |    | (11,406) |
| Increase (decrease) in net OPEB obligation |    | 3,460    |
| Net OPEB obligation, beginning of year     |    | 34,202   |
| Net OPEB obligation, end of year           | \$ | 37,662   |

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

|                            |                     | Percentage of Annual     |                        |
|----------------------------|---------------------|--------------------------|------------------------|
| For Year Ended<br>June 30, | Annual OPEB<br>Cost | OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
| 2014                       | 13,911              | 57%                      | 31,169                 |
| 2015                       | 12,158              | 75%                      | 34,202                 |
| 2016                       | 14,866              | 77%                      | 37,662                 |

*Funded Status and Funding Progress.* As of June 30, 2016, the actuarial accrued liability for benefits was \$54,902, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,026,189, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.35 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

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

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

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

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.00 percent initially, reduced to an ultimate rate of 5.60 percent after six years, was used.

*Health insurance premiums* – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2013 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was twenty eight years.

## 2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employees' 12 highest months salary in a

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

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.

3. Deferred Outflows and Inflows of Resources

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

| Source   | Amount    |
|--|-----------|
| Contributions to pension plan in current fiscal year | \$ 71,136 |
| Pension deferrals                                    | 19,878    |
|  | \$ 91,014 |

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

|                                 |        |
|---------------------------------|--------|
| Prepaid taxes (General Fund)    | \$ 873 |
| Taxes Receivable (General Fund) | 49,689 |
| Pension deferrals               | 40,635 |

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss 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.

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

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 \$80,000 and \$10,000, respectively. Two remaining clerks are bonded for \$10,000 each.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the Town was a defendant to various lawsuits. In the opinion of Town's management and the Town Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

6. Long-Term Obligations

Changes in Long Term Liabilities

|                               | Beginning<br>Balance | Increases         | Decreases           | Ending<br>Balance | Current<br>Portion<br>of Balance |
|-------------------------------|----------------------|-------------------|---------------------|-------------------|----------------------------------|
| Governmental Activities:      |                      |                   |                     |                   |                                  |
| Net Pension Liability(LGERS)  | \$ -                 | \$ 78,180         | \$ -                | \$ 78,180         | \$ -                             |
| Net Pension Obligation(LEO)   | 110,046              | 11,028            | -                   | 121,074           | -                                |
| OPEB Obligation               | 34,202               | 14,866            | (11,406)            | 37,662            | -                                |
| Compensated Absences          | 116,343              | 78,774            | (117,042)           | 78,075            | 78,075                           |
| Total Governmental Activities | <u>\$ 257,558</u>    | <u>\$ 182,848</u> | <u>\$ (128,448)</u> | <u>\$ 311,958</u> | <u>\$ 78,075</u>                 |

The LGERS plan had a net pension asset as of June 30, 2016; however, the plan had a net pension liability at the beginning of the fiscal year.

The legal debt margin of the Town at June 30, 2016 was \$19,957,033.

D. Interfund Balances and Activity

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

| <u>Receivable Fund</u>     | <u>Payable Fund</u>        | Amount            |
|----------------------------|----------------------------|-------------------|
| Community Enhancement Fund | General Fund               | \$ 30,000         |
| Community Enhancement Fund | Rail Trail Capital Project | <u>84,200</u>     |
|                            |                            | <u>\$ 114,200</u> |

The above due to/from transaction was the result of common usage of the central depository account when the Community Enhancement Fund upfronts funding for capital projects until grant reimbursements are received.

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

|   |  |                   |
|---|--|-------------------|
| From Community Enhancement Fund             |  |                   |
| To the General Fund                         |  | \$ 108,747        |
| (For capital purchase)                      |  |                   |
| From Priebe Field                           |  |                   |
| To the General Fund                         |  | 7,000             |
| (To contribute to the Wall of Fame project) |  |                   |
| From Textile Museum                         |  |                   |
| To the General Fund                         |  | 32,155            |
| (To close the fund out)                     |  |                   |
|   |  | <u>\$ 147,902</u> |

TOWN OF ERWIN, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

D. Fund Balance

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

|   |                    |
|---|--------------------|
| <b>Total fund balance-General Fund</b>          | <b>\$1,437,001</b> |
| <b>Less:</b>                                    |                    |
| <b>Stabilization by State Statute</b>           | 265,426            |
| <b>Streets - Powell Bill</b>                    | 231,818            |
| <b>Public Safety</b>                            | 2,947              |
| <b>Assigned to Employee Health Reserve</b>      | 3,869              |
| <b>Appropriated Fund Balance in 2017 Budget</b> | -0-                |
| <b>Remaining Fund Balance</b>                   | <b>932,941</b>     |

NOTE 4: 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 moneys 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 moneys.

NOTE 5: MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2016, the date which the financial statements were available for issue.

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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## Required Supplementary Financial Data

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The section contains additional statements required by Governmental Accounting Standards Board.

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Law Enforcement Officers' Special Separation Allowance  
Schedule of Funding Progress

Law Enforcement Officers' Special Separation Allowance  
Schedule of Employer Contributions

Other Postemployment Benefits  
Schedule of Funding Progress

Other Postemployment Benefits  
Schedule of Employer Contributions

Schedule of Proportionate Share of Net Pension Liability (Asset) Local Government  
Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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ERWIN, NORTH CAROLINA

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Town of Erwin, North Carolina  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>-Projected Unit<br>Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>% of Covered<br>Payroll<br>((b - a)/c) |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|---|
| 12/31/2009                     | -                                      | 182,615  | 182,615                              | 0.0%                     | 327,383                   | 55.78%  |
| 12/31/2010                     | -                                      | 203,815  | 203,815                              | 0.0%                     | 388,886                   | 52.41%  |
| 12/31/2011                     | -                                      | 222,542  | 222,542                              | 0.0%                     | 375,848                   | 59.21%  |
| 12/31/2012                     | -                                      | 237,215  | 237,215                              | 0.0%                     | 411,573                   | 57.64%  |
| 12/31/2013                     | -                                      | 229,635  | 229,635                              | 0.0%                     | 430,351                   | 53.36%  |
| 12/31/2014                     | -                                      | 264,814  | 264,814                              | 0.0%                     | 438,813                   | 60.35%  |
| 12/31/2015                     | -                                      | 360,299  | 360,299                              | 0.0%                     | 394,851                   | 91.25%  |

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

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| <u>Fiscal Year</u><br><u>Ending June 30</u> | <u>Annual Required</u><br><u>Contribution</u> | <u>Percentage</u><br><u>Contributed</u> |
|---|---|---|
| 2014  | 23,491  | 85.51%                                  |
| 2015  | 27,160  | 68.04%                                  |
| 2016  | 35,781  | 65.12%                                  |

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>-Projected Unit<br>Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>% of Covered<br>Payroll<br>((b - a)/c) |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|---|
| 6/30/2010                      | -                                      | 47,066   | 47,066                               | 0.0%                     | 823,148                   | 5.72%   |
| 6/30/2011                      | -                                      | 22,005   | 22,005                               | 0.0%                     | 881,924                   | 2.50%   |
| 6/30/2012                      | -                                      | 28,095   | 28,095                               | 0.0%                     | 933,404                   | 3.01%   |
| 6/30/2013                      | -                                      | 92,105   | 92,105                               | 0.0%                     | 913,800                   | 10.08%  |
| 6/30/2014                      | -                                      | 72,915   | 72,915                               | 0.0%                     | 1,032,372                 | 7.06%   |
| 6/30/2015                      | -                                      | 55,715   | 55,715                               | 0.0%                     | 1,086,966                 | 5.13%   |
| 6/30/2016                      | -                                      | 54,902   | 54,902                               | 0.0%                     | 1,026,189                 | 5.35%   |

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

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| <u>Fiscal Year</u><br><u>Ending June 30</u> | <u>Annual Required</u><br><u>Contribution(ARC)</u> | <u>Percentage of ARC</u><br><u>Contributed</u> |
|---|--|--|
| 2011  | 11,575   | 67.00%   |
| 2012  | 12,821   | 63.00%   |
| 2013  | 26,389   | 69.00%   |
| 2014  | 13,769   | 57.00%   |
| 2015  | 12,158   | 75.00%   |
| 2016  | 15,148   | 75.00%   |

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

Local Government Employees' Retirement System

|   | 2016         | 2015         | 2014       |
|---|--------------|--------------|------------|
| Town's proportion of the net pension liability (asset) (%)  | 0.01742%     | 0.01712%     | 0.01590%   |
| Town's proportion of the net pension liability (asset) (\$)   | \$ 78,180    | \$ (100,963) | \$ 191,656 |
| Town's covered-employee payroll   | \$ 1,086,966 | \$ 1,032,372 | \$ 913,799 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 7.19%        | ( 9.78%)     | 20.97%     |
| Plan fiduciary net position as a percentage of the total pension liability**                                    | 98.09%       | 102.64%      | 94.35%     |

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

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

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

Local Government Employees' Retirement System

|  | 2016         | 2015         | 2014       |
|--|--------------|--------------|------------|
| Contractually required contribution                                  | \$ 71,136    | \$ 78,416    | \$ 73,027  |
| Contributions in relation to the contractually required contribution | 71,136       | 78,416       | 73,027     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -       |
| Town's covered-employee payroll                                      | \$ 1,086,966 | \$ 1,032,372 | \$ 913,799 |
| Contributions as a percentage of covered-employee payroll            | 6.54%        | 7.60%        | 7.99%      |



## Supplementary Statements

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The section contains additional statements required by the Local Government Commission  
in North Carolina.

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TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Town of Erwin, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|                                       | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|------------------|------------------|---|
| <b>Revenues:</b>                      |                  |                  |   |
| Ad valorem taxes:                     |                  |                  |   |
| Ad valorem taxes                      | \$               | \$ 1,193,904     | \$  |
| Penalties and interest                |                  | 13,661           |   |
| Total                                 | <u>1,198,900</u> | <u>1,207,565</u> | <u>8,665</u>                                |
| Other taxes and licenses:             |                  |                  |   |
| Fire protection charges               |                  | 174,732          |   |
| Total                                 | <u>170,326</u>   | <u>174,732</u>   | <u>4,406</u>                                |
| Unrestricted intergovernmental:       |                  |                  |   |
| Local option sales taxes              |                  | 518,634          |   |
| Gasoline tax refund                   |                  | 9,637            |   |
| Telecommunications tax                |                  | 31,073           |   |
| Utility franchise tax                 |                  | 145,734          |   |
| Piped natural gas                     |                  | 7,085            |   |
| Video franchise fee                   |                  | 14,423           |   |
| Solid Waste Disposal Tax              |                  | 2,961            |   |
| Beer and wine tax                     |                  | 19,704           |   |
| Total                                 | <u>696,875</u>   | <u>749,251</u>   | <u>52,376</u>                               |
| Restricted intergovernmental:         |                  |                  |   |
| Powell Bill Allocation                |                  | 142,176          |   |
| Controlled Substance Tax              |                  | 51               |   |
| Grants                                |                  | 9,688            |   |
| Total                                 | <u>149,688</u>   | <u>151,915</u>   | <u>2,227</u>                                |
| Permits and fees:                     |                  |                  |   |
| Business registration fees            |                  | 130              |   |
| Zoning permits                        |                  | 5,690            |   |
| Auto licenses                         |                  | 5,157            |   |
| Court fees                            |                  | 414              |   |
| Total                                 | <u>5,650</u>     | <u>11,391</u>    | <u>5,741</u>                                |
| Sales and services:                   |                  |                  |   |
| Recreation department                 |                  |                  |   |
| Concessions, sponsorships & donations |                  | 13,504           |   |
| Sponsors donations/entry fees         |                  | 26,250           |   |
| Mowing Contract                       |                  | 7,945            |   |
| Library fees                          |                  | 1,725            |   |
| Collection fees                       |                  | 16,497           |   |
| Garbage and storm water               |                  | 398,554          |   |
| Total                                 | <u>437,968</u>   | <u>464,475</u>   | <u>26,507</u>                               |

Town of Erwin, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|                          | <u>Budget</u>    | <u>Actual</u>    | Variance<br>Positive<br>(Negative) |
|--------------------------|------------------|------------------|------------------------------------|
| Other Revenues:          |                  |                  |                                    |
| Investment earnings      |                  | 3,157            |                                    |
| Sale of capital assets   |                  | 28,451           |                                    |
| Donations                |                  | 15,000           |                                    |
| Miscellaneous            |                  | 11,393           |                                    |
| Total Other Revenues     | <u>39,979</u>    | <u>58,001</u>    | <u>18,022</u>                      |
| Total Revenues           | <u>2,699,386</u> | <u>2,817,330</u> | <u>117,944</u>                     |
| General Government:      |                  |                  |                                    |
| Governing Body:          |                  |                  |                                    |
| Salaries                 |                  | 19,800           |                                    |
| Benefits                 |                  | 1,514            |                                    |
| Other Operating Expenses |                  | 5,524            |                                    |
| Capital Outlay           |                  | -                |                                    |
| Total Governing Body     | <u>30,515</u>    | <u>26,838</u>    | <u>3,677</u>                       |
| Administration:          |                  |                  |                                    |
| Salaries                 |                  | 255,700          |                                    |
| Benefits                 |                  | 67,420           |                                    |
| Professional Expenses    |                  | 299,269          |                                    |
| General Insurance        |                  | 128,626          |                                    |
| Other Operating Expenses |                  | 162,884          |                                    |
| Capital Outlay           |                  | 85,205           |                                    |
| Total Administration     | <u>1,028,094</u> | <u>999,104</u>   | <u>28,990</u>                      |
| Total General Government | <u>1,058,609</u> | <u>1,025,942</u> | <u>32,667</u>                      |
| Public safety:           |                  |                  |                                    |
| Police:                  |                  |                  |                                    |
| Salaries                 |                  | 511,059          |                                    |
| Benefits                 |                  | 155,386          |                                    |
| Other Operating Expenses |                  | 86,748           |                                    |
| Capital Outlay           |                  | 35,568           |                                    |
| Total                    | <u>866,042</u>   | <u>788,761</u>   | <u>77,281</u>                      |
| Fire:                    |                  |                  |                                    |
| Contract Services        |                  | 174,742          |                                    |
| Total                    | <u>177,200</u>   | <u>174,742</u>   | <u>2,458</u>                       |
| Inspection:              |                  |                  |                                    |
| Salaries                 |                  | 30,800           |                                    |
| Benefits                 |                  | 9,143            |                                    |
| Other Operating Expenses |                  | 1,911            |                                    |
| Contract Services        |                  | 15,528           |                                    |
| Capital Outlay           |                  | -                |                                    |
| Total                    | <u>91,832</u>    | <u>57,382</u>    | <u>34,450</u>                      |
| Total Public Safety      | <u>1,135,074</u> | <u>1,020,885</u> | <u>114,189</u>                     |

Town of Erwin, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|                                  | <u>Budget</u>  | <u>Actual</u>  | Variance<br>Positive<br>(Negative) |
|----------------------------------|----------------|----------------|------------------------------------|
| <b>Streets</b>                   |                |                |                                    |
| Salaries                         |                | 110,064        |                                    |
| Benefits                         |                | 41,691         |                                    |
| Other Operating Expenses         |                | 170,967        |                                    |
| Capital Outlay                   |                | 30,000         |                                    |
| Contracted Services              |                | 141,620        |                                    |
| Total Transportation             | <u>552,965</u> | <u>494,342</u> | <u>58,623</u>                      |
| <b>Public works:</b>             |                |                |                                    |
| Administration                   |                |                |                                    |
| Salaries                         |                | 55,530         |                                    |
| Benefits                         |                | 16,032         |                                    |
| Other Operating Expenses         |                | 21,594         |                                    |
| Capital Outlay                   |                | -              |                                    |
| Contracted Services              |                | -              |                                    |
| Total Administration             | <u>97,928</u>  | <u>93,156</u>  | <u>4,772</u>                       |
| <b>Storm Water</b>               |                |                |                                    |
| Salaries                         |                | 28,043         |                                    |
| Benefits                         |                | 7,128          |                                    |
| Other Operating Expenses         |                | 8,471          |                                    |
| Total Storm Water                | <u>57,798</u>  | <u>43,642</u>  | <u>14,156</u>                      |
| Total Public Works               | <u>155,726</u> | <u>136,798</u> | <u>18,928</u>                      |
| <b>Environmental protection:</b> |                |                |                                    |
| Sanitation:                      |                |                |                                    |
| Salaries                         |                | 31,674         |                                    |
| Benefits                         |                | 11,058         |                                    |
| Other Operating Expenses         |                | 25,792         |                                    |
| Contracted Services              |                | 267,285        |                                    |
| Total Environmental Protection   | <u>370,597</u> | <u>335,809</u> | <u>34,788</u>                      |
| <b>Culture and recreation:</b>   |                |                |                                    |
| Parks and recreation:            |                |                |                                    |
| Salaries                         |                | 147,611        |                                    |
| Benefits                         |                | 35,034         |                                    |
| Contracted Services              |                | 30,387         |                                    |
| Other Operating Expenses         |                | 97,947         |                                    |
| Capital Outlay                   |                | 39,471         |                                    |
| Total parks and recreation       | <u>381,205</u> | <u>350,450</u> | <u>30,755</u>                      |

Town of Erwin, North Carolina  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|  | <u>Budget</u>      | <u>Actual</u>       | Variance<br>Positive<br>(Negative) |
|--|--------------------|---------------------|------------------------------------|
| Community and library building:        |                    |                     |                                    |
| Salaries                               |                    | 42,036              |                                    |
| Benefits                               |                    | 8,887               |                                    |
| Contracted Services                    |                    | 750                 |                                    |
| Other Operating Expenses               |                    | 22,536              |                                    |
| Capital Outlay                         |                    | 7,107               |                                    |
| Total community and library building   | <u>92,059</u>      | <u>81,316</u>       | <u>10,743</u>                      |
| <br>Total Culture and Recreation       | <u>473,264</u>     | <u>431,766</u>      | <u>41,498</u>                      |
| <br>Total Expenditures                 | <u>3,746,235</u>   | <u>3,445,542</u>    | <u>300,693</u>                     |
| <br>Revenues over (under) expenditures | <u>(1,046,849)</u> | <u>(628,212)</u>    | <u>418,637</u>                     |
| <br>Other Financing Sources (Uses):    |                    |                     |                                    |
| Transfers To/From Other Funds:         |                    |                     |                                    |
| From Textile Museum                    | 32,153             | 32,155              | 2                                  |
| From Priebe Field                      | -                  | 7,000               | 7,000                              |
| From Community Enhancement             | 145,853            | 108,747             | (37,106)                           |
| Total Other Financing Sources(Uses)    | <u>178,006</u>     | <u>147,902</u>      | <u>(30,104)</u>                    |
| <br>Fund Balance Appropriated          | <u>868,843</u>     | -                   | <u>(868,843)</u>                   |
| <br>Net Change in Fund Balance         | <u>\$ -</u>        | <u>(480,310)</u>    | <u>\$ (480,310)</u>                |
| <br>Fund Balances, beginning           |                    | <u>1,917,311</u>    |                                    |
| Fund Balances, ending                  |                    | <u>\$ 1,437,001</u> |                                    |

Town of Erwin, North Carolina  
**Rail Trail Capital Project**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2016

|   | <u>Project<br/>Authorization</u> | <u>Prior<br/>Years</u> | <u>Actual<br/>Current<br/>Year</u> | <u>Total<br/>to Date</u> | <u>Positive<br/>(Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues:                               |                                  |                        |                                    |                          |                                |
| Restricted Intergovernmental            |                                  |                        |                                    |                          |                                |
| Grant                                   | \$ 84,200                        | \$ 28,857              | \$ 23,308                          | \$ 52,165                | \$ (32,035)                    |
| Donations                               | 5,000                            | -                      | -                                  | -                        | (5,000)                        |
| Interest                                | -                                | -                      | -                                  | -                        | -                              |
| Total Revenue                           | <u>89,200</u>                    | <u>28,857</u>          | <u>23,308</u>                      | <u>52,165</u>            | <u>(37,035)</u>                |
| Expenditures:                           |                                  |                        |                                    |                          |                                |
| Capital Outlay                          |                                  | 33,857                 | 18,839                             | 52,696                   |                                |
| Total Expenditures                      | <u>89,200</u>                    | <u>33,857</u>          | <u>18,839</u>                      | <u>52,696</u>            | <u>36,504</u>                  |
| Revenues Over(Under)                    |                                  |                        |                                    |                          |                                |
| Expenditures                            | <u>-</u>                         | <u>(5,000)</u>         | <u>4,469</u>                       | <u>(531)</u>             | <u>(531)</u>                   |
| Other Financing Sources(Uses)           |                                  |                        |                                    |                          |                                |
| Transfers - In (Out)                    |                                  |                        |                                    |                          |                                |
| From/(To) Enhancement                   | <u>-</u>                         | <u>5,000</u>           | <u>-</u>                           | <u>5,000</u>             | <u>5,000</u>                   |
| Total Other Financing<br>Sources (Uses) | <u>-</u>                         | <u>5,000</u>           | <u>-</u>                           | <u>5,000</u>             | <u>5,000</u>                   |
| Revenues and Other Sources              |                                  |                        |                                    |                          |                                |
| Over Other Uses                         | <u>\$ -</u>                      | <u>\$ -</u>            | 4,469                              | <u>\$ 4,469</u>          | <u>\$ 4,469</u>                |
| Fund Balance                            |                                  |                        |                                    |                          |                                |
| Fund Balances, beginning                |                                  |                        | <u>-</u>                           |                          |                                |
| Fund Balances, ending                   |                                  |                        | <u>\$ 4,469</u>                    |                          |                                |

Town of Erwin, North Carolina  
**Capital Projects Fund - Textile Museum**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2016

|   | <u>Project<br/>Authorization</u> | <u>Prior<br/>Years</u> | <u>Actual<br/>Current<br/>Year</u> | <u>Total<br/>to Date</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| <b>Revenues:</b>                              |                                  |                        |                                    |                          |   |
| Restricted Intergovernmental                  |                                  |                        |                                    |                          |   |
| State Grant                                   | \$ 420,000                       | \$ 520,000             | \$ -                               | \$ 520,000               | \$ 100,000                                  |
| Interest                                      | 30,000                           | 167,221                | 6                                  | 167,227                  | 137,227                                     |
| Other Revenues                                | 30,000                           | -                      | -                                  | -                        | (30,000)                                    |
| Total Revenue                                 | <u>480,000</u>                   | <u>687,221</u>         | <u>6</u>                           | <u>687,227</u>           | <u>207,227</u>                              |
| <b>Expenditures:</b>                          |                                  |                        |                                    |                          |   |
| Recreational and Cultural                     |                                  |                        |                                    |                          |   |
| Travel  | 2,000                            | 185                    | -                                  | 185                      | 1,815                                       |
| Miscellaneous                                 | 3,000                            | 667,969                | -                                  | 667,969                  | (664,969)                                   |
| Preliminary Plans<br>and Studies              | 50,000                           | 23,893                 | -                                  | 23,893                   | 26,107                                      |
| Capital Outlay                                | 700,000                          | -                      | -                                  | -                        | 700,000                                     |
| Total Expenditures                            | <u>755,000</u>                   | <u>692,047</u>         | <u>-</u>                           | <u>692,047</u>           | <u>62,953</u>                               |
| Revenues Over(Under)<br>Expenditures          | <u>(275,000)</u>                 | <u>(4,826)</u>         | <u>6</u>                           | <u>(4,820)</u>           | <u>270,180</u>                              |
| <b>Other Financing Sources(Uses)</b>          |                                  |                        |                                    |                          |   |
| Transfer in                                   | -                                | 25,000                 | -                                  | 25,000                   | 25,000                                      |
| Transfer to General Fund                      | (32,155)                         | -                      | (32,155)                           | (32,155)                 | -   |
| Donations                                     | 275,000                          | 11,975                 | -                                  | 11,975                   | (263,025)                                   |
| Total Other Financing<br>Sources (Uses)       | <u>242,845</u>                   | <u>36,975</u>          | <u>(32,155)</u>                    | <u>4,820</u>             | <u>(238,025)</u>                            |
| Fund Balance Appropriated                     | <u>32,155</u>                    | <u>-</u>               | <u>-</u>                           | <u>-</u>                 | <u>(32,155)</u>                             |
| Revenues and Other Sources<br>Over Other Uses | <u>\$ -</u>                      | <u>\$ 32,149</u>       | <u>(32,149)</u>                    | <u>\$ -</u>              | <u>\$ -</u>                                 |
| <b>Fund Balance</b>                           |                                  |                        |                                    |                          |   |
| Fund Balances, beginning                      |                                  |                        | <u>32,149</u>                      |                          |   |
| Fund Balances, ending                         |                                  |                        | <u>\$ -</u>                        |                          |   |



Town of Erwin, North Carolina  
**Community Enhancement Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|   | Budget    | Actual       | Variance<br>Positive<br>(Negative) |
|---|-----------|--------------|------------------------------------|
| Revenues:                                     |           |              |                                    |
| Sales and services:                           |           |              |                                    |
| Land Lease                                    | \$        | \$ 22,671    | \$ 22,671                          |
| Interest                                      |           | 7,677        | 7,677                              |
| Total Revenue                                 | -         | 30,348       | 30,348                             |
| Expenditures:                                 |           |              |                                    |
| Cultural and Recreation                       |           |              |                                    |
| Operating Expenses                            |           | 94,960       |                                    |
| Capital Outlay                                |           | -            |                                    |
| Total Cultural and Recreation                 | 94,960    | 94,960       | -                                  |
| Revenues Over(Under)                          |           |              |                                    |
| Expenditures                                  | (94,960)  | (64,612)     | 30,348                             |
| Other Financing Sources(Uses)                 |           |              |                                    |
| Transfers - In (Out)                          |           |              |                                    |
| To General Fund                               | (120,853) | (108,747)    | 12,106                             |
| Total Other Financing<br>Sources (Uses)       | (120,853) | (108,747)    | 12,106                             |
| Fund Balance Appropriated                     | 215,813   | -            | (215,813)                          |
| Revenues and Other Sources<br>Over Other Uses | \$ -      | (173,359)    | \$ (173,359)                       |
| Fund Balance                                  |           |              |                                    |
| Fund Balances, beginning                      |           | 3,303,598    |                                    |
| Fund Balances, ending                         |           | \$ 3,130,239 |                                    |

Town of Erwin, North Carolina  
**Combining Balance Sheet**  
**Nonmajor Governmental Fund**  
For the Fiscal Year Ended June 30, 2016

|  | <u>Porter Park<br/>Capital Project</u> | <u>Priebe Field<br/>Capital Project</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--|--|---|--|
| <b>Assets</b>                                  |  |   |  |
| Cash and Cash Equivalents                      | \$ -                                   | \$ 1,125                                | \$ 1,125   |
| Restricted Cash                                | -                                      | -                                       | -  |
| Due From Other Governments                     | 20,894                                 | -                                       | 20,894   |
| Due From Other Funds                           | <u>-</u>                               | <u>-</u>                                | <u>-</u>   |
| <b>Total Assets</b>                            | <b>\$ <u>20,894</u></b>                | <b>\$ <u>1,125</u></b>                  | <b>\$ <u>22,019</u></b>                          |
| <b>Liabilities and Fund Balances</b>           |  |   |  |
| <b>Liabilities:</b>                            |  |   |  |
| Accounts Payable                               | \$ -                                   | \$ -                                    | \$ -   |
| Due to Other Funds                             | <u>-</u>                               | <u>-</u>                                | <u>-</u>   |
| <b>Total Liabilities</b>                       | <b><u>-</u></b>                        | <b><u>-</u></b>                         | <b><u>-</u></b>                                  |
| <b>Fund Balance:</b>                           |  |   |  |
| <b>Restricted</b>                              |  |   |  |
| Stabilization by State Statute                 | 20,894                                 | -                                       | 20,894   |
| Streets  | -                                      | -                                       | -  |
| Public Safety                                  | -                                      | -                                       | -  |
| <b>Committed</b>                               |  |   |  |
| Economic Development                           | -                                      | -                                       | -  |
| Cultural and Recreation                        | -                                      | 1,125                                   | 1,125  |
| <b>Assigned</b>                                |  |   |  |
| Subsequent Year Expenditures                   | -                                      | -                                       | -  |
| <b>Unassigned</b>                              |  |   |  |
|  | <u>-</u>                               | <u>-</u>                                | <u>-</u>   |
| <b>Total Fund Balances</b>                     | <b><u>20,894</u></b>                   | <b><u>1,125</u></b>                     | <b><u>22,019</u></b>                             |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ <u>20,894</u></b>                | <b>\$ <u>1,125</u></b>                  | <b>\$ <u>22,019</u></b>                          |

Town of Erwin, North Carolina  
**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance**  
**Nonmajor Governmental Fund**  
For the Fiscal Year Ended June 30, 2015

|                                      | <u>Porter Park<br/>Capital Project</u> | <u>Priebe Field<br/>Capital Project</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--------------------------------------|--|---|--|
| Revenues:                            |  |   |  |
| Restricted Intergovernmental         |  |   |  |
| State Grants                         | \$ -                                   | \$ -                                    | \$ -   |
| Sales and services:                  |  |   |  |
| Fees                                 | -                                      | -                                       | -  |
| Miscellaneous Income                 | -                                      | 3,967                                   | 3,967  |
| Interest on Investments              | -                                      | -                                       | -  |
| Total Revenue                        | <u>-</u>                               | <u>3,967</u>                            | <u>3,967</u>                                     |
| Expenditures:                        |  |   |  |
| General Government                   | -                                      | -                                       | -  |
| Public Safety                        | -                                      | -                                       | -  |
| Economic Development                 | -                                      | -                                       | -  |
| Cultural and Recreational            | -                                      | 320                                     | 320  |
| Total Expenditures                   | <u>-</u>                               | <u>320</u>                              | <u>320</u>                                       |
| Revenues Over(Under)                 |  |   |  |
| Expenditures                         | <u>-</u>                               | <u>3,647</u>                            | <u>3,647</u>                                     |
| Other Financing Sources(Uses)        |  |   |  |
| Transfers - In (Out)                 |  |   |  |
| Transfers Out                        | -                                      | -                                       | -  |
| Transfers In                         | -                                      | (7,000)                                 | (7,000)  |
| Total Other Financing Sources (Uses) | <u>-</u>                               | <u>(7,000)</u>                          | <u>(7,000)</u>                                   |
| Revenues and Other Sources           |  |   |  |
| Over Other Uses                      | -                                      | (3,353)                                 | (3,353)  |
| Fund Balances, beginning             | 20,894                                 | 4,478                                   | 25,372   |
| Fund Balances, ending                | <u>\$ 20,894</u>                       | <u>\$ 1,125</u>                         | <u>\$ 22,019</u>                                 |

Town of Erwin, North Carolina  
**Special Revenue Fund - Porter Park Capital Project**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2016

|   | <u>Project<br/>Authorization</u> | <u>Prior<br/>Years</u> | <u>Actual<br/>Current<br/>Year</u> | <u>Total<br/>to Date</u> | <u>Positive<br/>(Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues:                                     |                                  |                        |                                    |                          |                                |
| Restricted Intergovernmental                  |                                  |                        |                                    |                          |                                |
| PARTF   | \$ 123,635                       | \$ 123,635             | \$ -                               | \$ 123,635               | \$ -                           |
| Total Revenue                                 | <u>123,635</u>                   | <u>123,635</u>         | <u>-</u>                           | <u>123,635</u>           | <u>-</u>                       |
| Expenditures:                                 |                                  |                        |                                    |                          |                                |
| Cultural and Recreational                     |                                  |                        |                                    |                          |                                |
| Capital Outlay                                | 308,635                          | 307,718                | -                                  | 307,718                  | 917                            |
| Total Expenditures                            | <u>308,635</u>                   | <u>307,718</u>         | <u>-</u>                           | <u>307,718</u>           | <u>917</u>                     |
| Revenues Over(Under)                          |                                  |                        |                                    |                          |                                |
| Expenditures                                  | <u>(185,000)</u>                 | <u>(184,083)</u>       | <u>-</u>                           | <u>(184,083)</u>         | <u>917</u>                     |
| Other Financing Sources(Uses)                 |                                  |                        |                                    |                          |                                |
| Transfers - In (Out)                          |                                  |                        |                                    |                          |                                |
| From Enhancement                              | 185,000                          | 204,977                | -                                  | 204,977                  | 19,977                         |
| To General Fund                               |                                  | -                      | -                                  | -                        | -                              |
| Total Other Financing<br>Sources (Uses)       | <u>185,000</u>                   | <u>204,977</u>         | <u>-</u>                           | <u>204,977</u>           | <u>19,977</u>                  |
| Revenues and Other Sources<br>Over Other Uses | <u>\$ -</u>                      | <u>\$ 20,894</u>       | <u>-</u>                           | <u>\$ 20,894</u>         | <u>\$ 20,894</u>               |
| Fund Balance                                  |                                  |                        |                                    |                          |                                |
| Fund Balances, beginning                      |                                  |                        | <u>20,894</u>                      |                          |                                |
| Fund Balances, ending                         |                                  |                        | <u>\$ 20,894</u>                   |                          |                                |

Town of Erwin, North Carolina  
**Priebe Field Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance-Budget and Actual**  
For the Fiscal Year Ended June 30, 2016

|   | <u>Budget</u>      | <u>Actual</u>          | Variance<br>Positive<br>(Negative) |
|---|--------------------|------------------------|------------------------------------|
| <b>Revenues:</b>                              |                    |                        |                                    |
| Donation                                      |                    | \$ 3,967               |                                    |
| Sponsors                                      |                    | -                      |                                    |
| Interest                                      | -                  | -                      |                                    |
| Total Revenue                                 | \$ <u>7,320</u>    | <u>3,967</u>           | \$ <u>(3,353)</u>                  |
| <b>Expenditures:</b>                          |                    |                        |                                    |
| Cultural and Recreation                       |                    |                        |                                    |
| Operating Expenses                            |                    | 320                    |                                    |
| Total Expenditures                            | <u>320</u>         | <u>320</u>             | <u>-</u>                           |
| Revenues Over(Under)                          |                    |                        |                                    |
| Expenditures                                  | <u>7,000</u>       | <u>3,647</u>           | <u>(3,353)</u>                     |
| <b>Other Financing Sources(Uses)</b>          |                    |                        |                                    |
| Transfers - In (Out)                          |                    |                        |                                    |
| From/(To) General Fund                        | <u>(7,000)</u>     | <u>(7,000)</u>         | <u>-</u>                           |
| Total Other Financing<br>Sources (Uses)       | <u>(7,000)</u>     | <u>(7,000)</u>         | <u>-</u>                           |
| Revenues and Other Sources<br>Over Other Uses | \$ <u><u>-</u></u> | (3,353)                | \$ <u><u>(3,353)</u></u>           |
| <b>Fund Balance</b>                           |                    |                        |                                    |
| Fund Balances, beginning                      |                    | <u>4,478</u>           |                                    |
| Fund Balances, ending                         |                    | \$ <u><u>1,125</u></u> |                                    |

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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## OTHER SCHEDULES

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This section includes additional information on property taxes.

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

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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

| <u>Fiscal Year</u>                          | <u>Uncollected<br/>Balance<br/>July 1, 2015</u> | <u>Additions</u>    | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2016</u> |
|---|---|---------------------|------------------------------------|--|
| 2015 - 2016                                 | \$ -  | \$ 1,372,297        | \$ 1,355,450                       | \$ 16,847  |
| 2014 - 2015                                 | 16,592  | -                   | 9,804                              | 6,788  |
| 2013 - 2014                                 | 12,017  | -                   | 1,626                              | 10,391   |
| 2012 - 2013                                 | 3,849   | 1,242               | 566                                | 4,525  |
| 2011 - 2012                                 | 19,374  | -                   | 611                                | 18,763   |
| 2010 - 2011                                 | 7,055   | -                   | 371                                | 6,684  |
| 2009 - 2010                                 | 4,371   | -                   | 145                                | 4,226  |
| 2008 - 2009                                 | 3,426   | -                   | 65                                 | 3,361  |
| 2007 - 2008                                 | 3,302   | -                   | -                                  | 3,302  |
| 2006 - 2007                                 | 3,477   | -                   | -                                  | 3,477  |
| 2005 - 2006                                 | 2,797   | -                   | 2,797                              | -  |
|   | <u>\$ 76,260</u>                                | <u>\$ 1,373,539</u> | <u>\$ 1,371,435</u>                | <u>\$ 78,364</u>                                 |
| Less: Allowance for uncollectable accounts: |   |                     |                                    |  |
|   |   |                     |                                    | (30,250)   |
|   |   |                     |                                    | Add  |
|   |   |                     |                                    | Auto Tags Receivable 1,575                       |
|   |   |                     |                                    | <u>\$ 49,689</u>                                 |
| <u>Reconciliation with revenues:</u>        |   |                     |                                    |  |
|   |   |                     |                                    | \$ 1,207,565                                     |
|   |   |                     |                                    | Ad valorem taxes - General Fund                  |
|   |   |                     |                                    | 174,732  |
|   |   |                     |                                    | Fire protection charges - General Fund           |
|   |   |                     |                                    | Reconciling items:                               |
|   |   |                     |                                    | Interest collected (13,661)                      |
|   |   |                     |                                    | Releases 2,799                                   |
|   |   |                     |                                    | <u>(10,862)</u>                                  |
|   |   |                     |                                    | Subtotal   |
|   |   |                     |                                    | <u>\$ 1,371,435</u>                              |
|   |   |                     |                                    | Total collections and credits                    |

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

|  | Town - Wide           |         |                     | Total Levy   |                                 |
|--|-----------------------|---------|---------------------|--|---------------------------------|
|  | Property<br>Valuation | Rate    | Total<br>Levy       | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                           |                       |         |                     |  |                                 |
| Property taxed at current<br>year's rate | \$ 249,944,727        | \$ 0.55 | \$ 1,374,696        | \$ 1,236,922   | \$ 137,774                      |
| Penalties                                |                       |         | 251                 | 251  | -                               |
| Total                                    | <u>249,944,727</u>    |         | <u>1,374,947</u>    | <u>1,237,173</u>   | <u>137,774</u>                  |
| Abatements                               | <u>481,818</u>        | 0.55    | <u>2,650</u>        | <u>2,650</u>   | <u>-</u>                        |
| Total property valuation                 | <u>\$ 249,462,909</u> |         |                     |  |                                 |
| Net levy                                 |                       |         | 1,372,297           | 1,234,523  | 137,774                         |
| Uncollected taxes at June 30, 2016       |                       |         | <u>16,847</u>       | <u>16,847</u>  | <u>-</u>                        |
| Current year's taxes collected           |                       |         | <u>\$ 1,355,450</u> | <u>\$ 1,217,676</u>                                      | <u>\$ 137,774</u>               |
| Current levy collection percentage       |                       |         | <u>98.76%</u>       | <u>98.64%</u>  | <u>100.00%</u>                  |

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COMPLIANCE SECTION

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TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of Erwin, 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 accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Erwin, North Carolina, as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprises the Town of Erwin's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2016-001.

Compliance and Other Matters

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

Town of Erwin's Responses to Findings

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

Purpose of this Report

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

*Thompson, Price, Scott, Adams & Co., PA*

Elizabethtown, North Carolina

October 10, 2016

Town of Erwin, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2016

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**Section I. Summary of Auditor's Results**

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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?                yes    none reported

Noncompliance material to financial statements noted?    yes    no

Town of Erwin, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2016

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**Section II – Financial Statement Findings**

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SIGNIFICANT DEFICIENCIES

2016 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Due to the number of employees within the finance office there is a lack of segregation of duties among Town personnel through the financial system.

Effect: Transactions could be mishandled.

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

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-001.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: Management is aware of the deficiency, but the cost-benefit analysis indicates that hiring more personnel to mitigate the issue is not feasible. Management will request board members' continued involvement by providing additional oversight.



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

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**Section II – Financial Statement Findings**

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SIGNIFICANT DEFICIENCIES

2016 – 001 Segregation of Duties

|                           |   |
|---------------------------|---|
| Name of contact person:   | Patsy M. Carson, Mayor  |
| Corrective Action:        | The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls. |
| Proposed Completion Date: | The Board will implement the above procedure immediately.   |

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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