

**FINANCIAL SECTION**  
**TOWN OF FRANKLINTON**  
**FRANKLINTON, NORTH CAROLINA**  
**JUNE 30, 2016**

**TOWN OF FRANKLINTON**

**NORTH CAROLINA**

**JUNE 30, 2016**

**ANNUAL FINANCIAL STATEMENTS**

Town Council Members

Art Wright – Mayor

John Allers

Johnny Mitchell

Anita Fuller

Brad Kearney

Alvin Holden

Administrative and Financial Staff

Tammy Ray – Town Manager

Kim Worley – Assistant Finance Manager

**Town of Franklinton, North Carolina**  
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**June 30, 2016**

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## **FINANCIAL SECTION**

The Financial Section constitutes the formal portion of the report. The independent auditors' report related only to the combined, combining and individual fund statements within this section. These schedules are presented with summary statements shown first, followed by more detailed statements.

**PETWAY  
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PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Franklinton, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Franklinton'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 did not audit the financial statements of the Town of Franklinton ABC Board which represent 11.3%, 5.2% and 46.3%, respectively, of the assets, net position, and revenues of the Town of Franklinton. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Franklinton ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Franklinton, North Carolina as of June 30, 2016, and

the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 15 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 46 and 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Franklinton, North Carolina's basic financial statements. The combining and individual fund 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 individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

March 3, 2017

## **Management's Discussion and Analysis**

## **Management's Discussion and Analysis**

As management of the Town of Franklinton, we offer readers of the Town of Franklinton's financial statements this narrative overview and analysis of the financial activities of the Town of Franklinton 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**

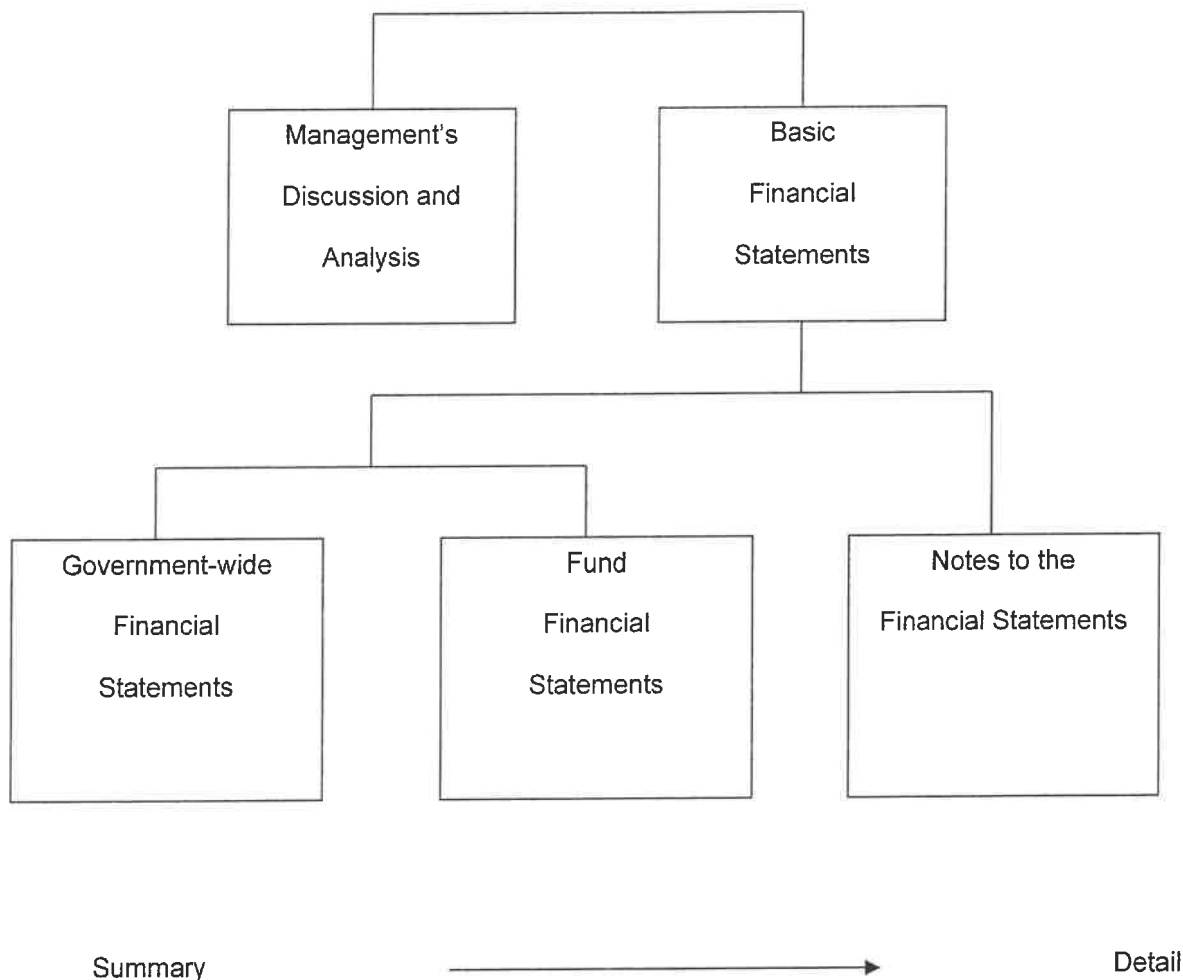
- The assets and deferred outflows of resources of Town of Franklinton exceeded its liabilities at the close of the fiscal year by \$1,851,811 (*net position*).
- The government's total net position decreased by \$111,940 primarily from the business-type activities net position.
- As of the close of the current fiscal year, the Town of Franklinton's governmental funds reported combined ending fund balances of \$844,231 with a net change of \$62,736 in fund balance. Approximately 43.24 percent of this total amount or \$365,075 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$479,156, or 34.34 percent of total general fund expenditures for the fiscal year.
- The Town of Franklinton's total debt decreased by \$25,180 (19.09%) during the current fiscal year. The key factors in this decrease were higher principal payments and lower interest loans.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental**

**information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

## Town of Franklinton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	\$ 925,831	\$ 969,600	\$ 466,775	\$ 587,718	\$ 1,392,606	\$ 1,557,318
Capital assets, net	659,715	754,667	-	-	659,715	754,667
Deferred outflows of resources	43,464	55,052	-	-	43,464	55,052
Total assets and deferred outflows of resources	<u>1,629,010</u>	<u>1,779,319</u>	<u>466,775</u>	<u>587,718</u>	<u>2,095,785</u>	<u>2,367,037</u>
<b>Liabilities:</b>						
Current liabilities	76,669	69,440	-	1,037	76,669	70,477
Non-current liabilities	131,975	153,571	-	-	131,975	153,571
Deferred inflows of resources	35,330	179,238	-	-	35,330	179,238
Total liabilities and deferred inflows of resources	<u>243,974</u>	<u>402,249</u>	<u>-</u>	<u>1,037</u>	<u>243,974</u>	<u>403,286</u>
<b>Net Position:</b>						
Invested in capital assets, net of related debt	552,973	622,745	-	-	552,973	622,745
Restricted for:						
Transportation	168,805	131,560	-	-	168,805	131,560
Stabilization by State Statute	196,270	247,465	-	-	196,270	247,465
Unrestricted	466,988	375,300	466,775	586,681	933,763	961,981
Total net position	<u>\$ 1,385,036</u>	<u>\$ 1,377,070</u>	<u>\$ 466,775</u>	<u>\$ 586,681</u>	<u>\$ 1,851,811</u>	<u>\$ 1,963,751</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Franklinton exceeded liabilities and deferred inflows by \$1,851,811 as of June 30, 2016. The Town's net position decreased by \$111,940 for the fiscal year ended June 30, 2016. However, 29.86% reflects the Town's net investment in capital assets. Although the Town of Franklinton'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 Franklinton's net position, \$365,075, represents resources that are subject to external restrictions on how they may be used. The large remaining balance of \$933,763 or 50.42% of net position is unrestricted.

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

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 46,694	\$ 243,175	\$ (112,621)	\$ 1,266,271	\$ (65,927)	\$ 1,509,446
Operating grants and contributions	162,701	148,478	-	-	162,701	148,478
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	738,728	746,914	-	-	738,728	746,914
Other taxes	501,145	434,627	-	-	501,145	434,627
Unrestricted investment earnings	570	189	-	155	570	344
Other	11,883	15,332	(6,685)	-	5,198	15,332
Total revenues	1,461,721	1,588,715	(119,306)	1,266,426	1,342,415	\$ 2,855,141
<b>Expenses:</b>						
General government	346,164	280,755	-	-	346,164	280,755
Public safety	646,659	621,270	-	-	646,659	621,270
Transportation	397,375	239,820	-	-	397,375	239,820
Environmental protection	16,189	180,441	-	-	16,189	180,441
Economic development	16,000	-	-	-	16,000	-
Culture and recreation	23,572	21,712	-	-	23,572	21,712
Cemetery	1,183	14,624	-	-	1,183	14,624
Interest expense	6,613	4,336	-	-	6,613	4,336
Water and sewer	-	-	600	1,214,689	600	1,214,689
Total expenses	1,453,755	1,362,958	600	1,214,689	1,454,355	2,577,647
Increase (decrease) in net position before transfer	7,966	225,757	(119,906)	51,737	(111,940)	277,494
Equity transfer	-	68,822	-	(68,822)	-	-
Sale of assets	-	-	-	(2,383,382)	-	(2,383,382)
Increase (decrease) in net position	7,966	294,579	(119,906)	(2,400,467)	(111,940)	(2,105,888)
Net position, July 1	1,377,070	1,170,532	586,681	2,987,148	1,963,751	4,157,680
Prior period adjustment	-	(88,041)	-	-	-	(88,041)
Net position, beginning as restated	1,377,070	1,082,491	586,681	2,987,148	1,963,751	4,069,639
Net position, June 30	\$ 1,385,036	\$ 1,377,070	\$ 466,775	\$ 586,681	\$ 1,851,811	\$ 1,963,751

**Governmental activities.** Governmental activities increased the Town's net position by \$7,966. Key elements of this increase are as follows:

- Stable collections of property tax revenues.
- Increase in ABC distributions.

**Business-type activities:** Business-type activities decreased the Town of Franklinton's net position by \$119,906. Key elements of this decrease are as follows:

- Write off of outstanding accounts receivable for water and sewer accounts.

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Franklinton. At the end of the current fiscal year, fund balance unassigned in the General Fund was \$479,156, while total fund balance reached \$844,231. The Town currently has an unassigned fund balance of 34.34% of general fund expenditures, while total fund balance represents 60.51 percent of that same amount.

At June 30, 2016, the governmental funds of Town of Franklinton reported a combined fund balance of \$844,231, an increase of \$62,736.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- Revenues were more than budgeted because the Town expected to receive more revenues from unrestricted intergovernmental funds and total expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Franklinton is in the process of closing its proprietary funds for water and sewer due to selling its assets and transferring its notes payable to Franklin County Water and Sewer Authority during fiscal year 2015. During the current year, the Town wrote off its remaining accounts receivable adding to the decrease in net position of \$119,906. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$466,775. The total change in net position for the Water and Sewer Fund was a total decrease of \$119,906. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Franklinton's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Franklinton's investment in capital assets for its governmental activities as of June 30, 2016 totals \$659,715 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, recreation and cultural facilities and vehicles.

There were no major capital asset transactions during the year for the general fund or no significant demolitions or disposals:

**Town of Franklinton's Capital Assets  
(Net of Depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Land	\$ 115,597	\$ 115,597	\$ -	\$ -	\$ 115,597	\$ 115,597
Buildings and improvements	265,379	276,961	-	-	265,379	276,961
Machinery and equipment	102,505	120,967	-	-	102,505	120,967
Infrastructure	35,023	36,548	-	-	35,023	36,548
Vehicles and motorized equipment	141,211	204,594	-	-	141,211	204,594
Total	\$ 659,715	\$ 754,667	\$ -	\$ -	\$ 659,715	\$ 754,667

Additional information on the Town's capital assets can be found in notes to the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2016, the Town of Franklinton had total debt outstanding of \$106,742. Of this, \$106,742 is debt backed by the full faith and credit of the Town.

**Town of Franklinton's Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment purchases	\$ 106,742	\$ 131,922	\$ -	\$ -	\$ 106,742	\$ 131,922
General obligation bond	-	-	-	-	-	-
Total	\$ 106,742	\$ 131,922	\$ -	\$ -	\$ 106,742	\$ 131,922

The Town of Franklinton's total debt increased by \$25,180 (19.08) during the past fiscal year, primarily due to increasing principle payments on interest bearing loans.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Franklinton is \$8,179,706.

Additional information regarding the Town of Franklinton's long-term debt can be found in the notes of this report.

**Economic Factors and Next Year's Budgets and Rates**

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

- The Town has a population of 1,745 (2000 Census) with about 822 housing units. The median age of the population is 36.8 years and has a median household income of \$28,971.
- The Town has about 123 business establishments with about 1,217 employees broken down as follows: Educational, health and social service 19.9%; Manufacturing 18.6%; and Retail trade 14.5%.
- The Town has in the past few years experienced a number of manufacturing closing mostly in

the textile industry.

- The unemployment for the county in June 2014 was 6.1% compared to a statewide average of 6.5%.

#### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** Budgetary highlights for the General Fund property tax rate remained consistent with prior year at \$0.72 per \$100 in property value. There is no fund balance appropriation.

#### **Request for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to the Director of Finance, Town of Franklinton, 7 West Mason Street, Franklinton, NC 27525.

## Exhibit 1

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

	Primary Government			
	Governmental	Business Type		Component
	Activities	Activities	Total	Unit
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 541,607	\$ 443,366	\$ 984,973	\$ 142,277
Restricted cash and cash equivalents	168,805	-	168,805	-
Taxes receivables (net)	62,710	-	62,710	-
Accrued interest receivable on taxes	11,816	-	11,816	-
Accounts receivable (net)	4,812	-	4,812	-
Internal balances	(17,945)	17,945	-	-
Due from other governments	83,763	5,464	89,227	-
Due from component unit	70,263	-	70,263	-
Prepaid Expense	-	-	-	4,391
Inventories	-	-	-	99,932
Total current assets	<u>925,831</u>	<u>466,775</u>	<u>1,392,606</u>	<u>246,600</u>
<b>Capital assets:</b>				
Land, non-depreciable improvements, construction in progress	115,597	-	115,597	-
Other capital assets, net of depreciation	544,118	-	544,118	15,586
Total capital assets (net)	<u>659,715</u>	<u>-</u>	<u>659,715</u>	<u>15,586</u>
Total assets	<u>1,585,546</u>	<u>466,775</u>	<u>2,052,321</u>	<u>262,186</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	7,817	-	7,817	2,940
Contributions to pension plan in current fiscal year	35,647	-	35,647	4,133
Total deferred outflows of resources	<u>43,464</u>	<u>-</u>	<u>43,464</u>	<u>7,073</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	7,075	-	7,075	160,763
Compensated absences	43,575	-	43,575	-
Current portion of long-term liabilities	26,019	-	26,019	-
<b>Long-term liabilities:</b>				
Net pension liability	51,252	-	51,252	2,962
Due in more than one year	80,723	-	80,723	-
Total liabilities	<u>208,644</u>	<u>-</u>	<u>208,644</u>	<u>163,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	35,330	-	35,330	3,059
Total deferred inflows of resources	<u>35,330</u>	<u>-</u>	<u>35,330</u>	<u>3,059</u>
<b>NET POSITION</b>				
Net investment in capital assets	552,973	-	552,973	15,586
<b>Restricted for:</b>				
Restricted for stabilization by state statute	196,270	-	196,270	-
Capital improvements	-	-	-	10,095
Working capital	-	-	-	30,318
Streets	168,805	-	168,805	-
Unrestricted	466,988	466,775	933,763	46,476
Total net position	<u>\$ 1,385,036</u>	<u>\$ 466,775</u>	<u>\$ 1,851,811</u>	<u>\$ 102,475</u>

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

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

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>								
General government	\$ 346,184	\$ 16,500	\$ -	\$ -	\$ -	\$ (329,664)	\$ -	\$ (329,664)
Public safety	646,659	9,213	72,923	-	-	(564,523)	-	(564,523)
Transportation	397,375	-	64,060	-	-	(333,315)	-	(333,315)
Economic and physical development	16,000	-	-	-	-	(16,000)	-	(16,000)
Environmental protection	16,189	-	1,285	-	-	(14,904)	-	(14,904)
Culture and recreation	23,572	15,081	24,433	-	-	15,942	-	15,942
Cemetery	1,183	5,900	-	-	-	4,717	-	4,717
Interest expense	6,613	-	-	-	-	(6,613)	-	(6,613)
Total Governmental Activities (See Note 1)	1,453,755	46,694	162,701	-	-	(1,244,360)	-	(1,244,360)
<b>Business-Type activities:</b>								
Water and sewer	600	(112,621)	-	-	-	-	(113,221)	(113,221)
Total business-type activities	600	(112,621)	-	-	-	-	(113,221)	(113,221)
Total Primary Government	\$ 1,454,355	\$ (65,927)	\$ 162,701	\$ -	\$ -	(1,244,360)	(113,221)	(1,357,581)
<b>Component Units:</b>								
ABC Board	\$ 1,012,602	\$ 1,016,656	\$ -	\$ -	\$ -	-	-	-
Total Component Units	\$ 1,012,602	\$ 1,016,656	\$ -	\$ -	\$ -	-	-	-
<b>General Revenues</b>								
<b>Taxes:</b>								
Property taxes, levied for general purpose						738,728	-	738,728
Other taxes						501,145	-	501,145
Unrestricted investment earnings						570	-	570
Miscellaneous revenues						11,883	(6,685)	5,198
Total general revenues and transfers						1,252,326	(6,685)	1,245,641
Change in net position						7,966	(119,906)	(111,940)
Net position, beginning						1,377,070	586,681	1,963,751
Net position, ending						\$ 1,385,036	\$ 466,775	\$ 1,851,811

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

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

	<b>Major Funds General</b>	<b>Total Non-major Funds</b>	<b>Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 541,608	\$ -	\$ 541,608
Restricted cash	168,805	-	168,805
Receivables, net:			
Taxes	70,414	-	70,414
Accounts	4,812	-	4,812
Due from other governments	83,763	-	83,763
Due from component unit	70,263	-	70,263
Due from other funds	37,431	-	37,431
Total assets	<u>\$ 977,096</u>	<u>\$ -</u>	<u>\$ 977,096</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,075	\$ -	\$ 7,075
Due to other funds	55,376	-	55,376
Total liabilities	<u>62,451</u>	<u>-</u>	<u>62,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	70,414	-	70,414
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>70,414</u>	<u>-</u>	<u>70,414</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	196,270	-	196,270
Streets	168,805	-	168,805
Unassigned	479,156	-	479,156
Total fund balances	<u>844,231</u>	<u>-</u>	<u>844,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 977,096</u>		

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

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

Amounts reported for governmental activities in the statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	1,861,608	
Accumulated depreciation	<u>(1,201,893)</u>	659,715
Contributions to the pension plan in current fiscal year are deferred outflows of resources on the Statement of Net Position		35,647
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		11,816
Consolidation of internal balances between governmental funds		
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
Taxes	<u>62,710</u>	62,710
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt		(106,742)
Compensated absences payable		(43,575)
Net pension liability		(51,252)
Pension related deferrals inflows		(27,513)
rounding		(1)
Net position of governmental activities		<u><u>\$ 1,385,036</u></u>

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

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

	<u>Major Funds</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 743,958	\$ -	\$ 743,958
Other taxes and licenses	-	-	-
Unrestricted intergovernmental	501,144	-	501,144
Restricted intergovernmental	138,268	-	138,268
Permits and fees	7,080	-	7,080
Sales and services	5,900	-	5,900
Investment earnings	570	-	570
Miscellaneous	60,983	-	60,983
Total revenues	<u>1,457,903</u>	<u>-</u>	<u>1,457,903</u>
<b>EXPENDITURES</b>			
Current:			
General government	330,545	-	330,545
Public safety	604,276	-	604,276
Transportation	388,325	-	388,325
Environment protection	16,189	-	16,189
Culture and recreation	23,173	-	23,173
Cemetery	866	-	866
Capital projects	-	-	-
Debt Service			
Principal	25,180	-	25,180
Interest	6,613	-	6,613
Total expenditures	<u>1,395,167</u>	<u>-</u>	<u>1,395,167</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	62,736	-	62,736
Fund balances, beginning	781,495	-	781,495
Fund balances, ending	<u>\$ 844,231</u>	<u>\$ -</u>	<u>\$ 844,231</u>

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

**Town of Franklinton, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statements of Activities**  
**For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds	\$ 62,736
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	-
Depreciation expense for governmental assets	(94,952)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities, net of due to funds for pension contributions	
	35,647
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable property tax revenues	4,079
Change in accrued interest receivable on taxes	(2,567)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	-
Principal payments on long term debt	25,180
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	3,244
Pension expense	(25,401)
Total changes in net position of governmental activities	<u>\$ 7,966</u>

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

**Town of Franklinton, North Carolina**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**For the Year Ended June 30, 2016**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 744,000	\$ 744,000	\$ 743,958	\$ (42)
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	395,800	409,954	501,144	91,190
Restricted intergovernmental	134,873	147,365	138,268	(9,097)
Permits and fees	7,500	7,500	7,080	(420)
Sales and services	1,000	2,000	5,900	3,900
Investment earnings	-	-	570	570
Miscellaneous	40,437	69,974	60,983	(8,991)
Total revenues	<u>1,323,610</u>	<u>1,380,793</u>	<u>1,457,903</u>	<u>77,110</u>
<b>Expenditures:</b>				
Current:				
General government	302,579	326,379	330,545	(4,166)
Public safety	619,736	630,022	604,276	25,746
Transportation	415,295	425,927	388,325	37,602
Environmental protection	-	-	16,189	(16,189)
Cemetery	1,500	1,500	866	634
Cultural and recreation	1,000	27,286	23,173	4,113
Debt Service				
Principal Payments	-	25,180	25,180	-
Interest and other charges	-	6,619	6,613	6
Total expenditures	<u>1,340,110</u>	<u>1,442,913</u>	<u>1,395,167</u>	<u>47,746</u>
Revenues over (under) expenditures	<u>(16,500)</u>	<u>(62,120)</u>	<u>62,736</u>	<u>124,856</u>
Other financing sources (uses):				
Appropriated fund balance	16,500	62,120	-	(62,120)
Total other financing sources (uses)	<u>16,500</u>	<u>62,120</u>	<u>-</u>	<u>(62,120)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>62,736</u>	<u>\$ 62,736</u>
Fund balances, beginning			<u>781,495</u>	
Fund balances, ending			<u>\$ 844,231</u>	

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

**Town of Franklinton, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 443,366	\$ 443,366
Accounts receivable (net)	-	-
Due from other funds	55,376	55,376
Due from other governments	5,464	5,464
Inventories	-	-
Total current assets	<u>504,206</u>	<u>504,206</u>
Capital assets		
Land and other non-depreciable assets	-	-
Other capital assets, net of depreciation	-	-
Capital assets (net)	<u>-</u>	<u>-</u>
Total non-current assets	<u>-</u>	<u>-</u>
Total assets	<u>504,206</u>	<u>504,206</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	-	-
Due to other funds	37,431	37,431
Customer Deposits	-	-
Bonds payable – current	-	-
Installment payable - current	-	-
Total current liabilities	<u>37,431</u>	<u>37,431</u>
Non-current liabilities:		
Compensated absences	-	-
Bonds payable – non-current	-	-
Installment purchases – non-current	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>37,431</u>	<u>37,431</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	-
Unrestricted	466,775	466,775
Total net position	<u>\$ 466,775</u>	<u>\$ 466,775</u>

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

**Town of Franklinton**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ (112,621)	\$ (112,621)
Water and sewer taps	-	-
Other operating revenues	(6,685)	(6,685)
<b>Total operating revenues</b>	<u>(119,306)</u>	<u>(119,306)</u>
<b>OPERATING EXPENSES</b>		
Water and sewer works	(572)	(572)
Water plant	1,172	1,172
Depreciation	-	-
<b>Total operating expenses</b>	<u>600</u>	<u>600</u>
<b>Operating income (loss)</b>	<u>(119,906)</u>	<u>(119,906)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	-	-
Interest and other charges	-	-
<b>Total non-operating revenue (expenses)</b>	<u>-</u>	<u>-</u>
<b>Income (loss) before contributions and transfers</b>	(119,906)	(119,906)
<b>Change in net position</b>	<u>(119,906)</u>	<u>(119,906)</u>
<b>Total net position, beginning</b>	586,681	586,681
<b>Total net position, ending</b>	<u>\$ 466,775</u>	<u>\$ 466,775</u>

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

Town of Franklinton, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016

	Water and Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 418	\$ 418
Cash paid for goods and services	(1,637)	(1,637)
Cash paid to or on behalf of employees for services	-	-
Other operating revenues	523	523
Net cash provided (used) by operating activities	(696)	(696)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Increase in due (from) other funds	-	-
Total cash flows from non-capital financing activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Installment proceeds	-	-
Acquisitions and construction of capital assets	-	-
Principal paid on bond payable	-	-
Principal paid on installment payable	-	-
Interest and other charges	-	-
Net cash provided (used) by capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	(696)	(696)
Balances, beginning	444,062	444,062
Balances, ending	\$ 443,366	\$ 443,366
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (112,698)	\$ (112,698)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	113,039	113,039
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	-	-
Increase (decrease) in accounts payable and accrued liabilities	(1,037)	(1,037)
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued vacation pay	-	-
Total adjustments	112,002	112,002
Net cash provided by operating activities	\$ (696)	\$ (696)

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

**Exhibit 10**

**Town of Franklinton, North Carolina  
Statement of Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2016**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ -</u>
<b>Liabilities</b>	
Liabilities	
Intergovernmental payable	<u>-</u>
Total liabilities	<u>\$ -</u>

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

**Town of Franklinton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Franklinton and its discretely presented component unit 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 Franklinton is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Town of Franklinton ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Franklinton ABC Board, Franklinton Square Shopping Center, Franklinton, N.C. 27525.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. 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, inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, transportation, environmental protection, cultural and recreation, and cemetery services.

The Town reports the following major enterprise funds:

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

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Franklin County Board of Education.

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem tax receivables are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance 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 the 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 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 Franklinton because the tax is levied by Franklin 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 are 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 by 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. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all capital project funds. The capital projects are consolidated with the operating funds for reporting purposes. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

### 1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

### 2. Cash and Cash Equivalents

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

### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

### 4. Ad Valorem Taxes Receivable

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

### 5. Allowances for Doubtful Accounts

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

### 6. Inventory and Prepaid Items

The inventories the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

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

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, \$5,000; infrastructure, \$5,000; furniture and equipment, \$1,000; vehicles; \$1,000 and computer equipment \$500. 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 Fund infrastructure assets acquired prior to July 1, 2003, consist of the road network 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 costs 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 Useful Lives</u>
Buildings and system	30
Infrastructure	50
Equipment and Furniture	10
Vehicles	6
Computer Equipment	3
Other improvements	25

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20
Furniture and equipment	10
Vehicles	3 to 5
Leasehold improvements	10 to 20
Computers	3

## 8. Deferred outflows/inflows of resources

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

## 9. Long-Term Obligations

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

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

#### 10. Compensated Absences

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

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

#### 11. Net Position/Fund Balances

##### Net Position

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

##### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Perpetual maintenance - Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Franklinton's Cemetery.

**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 Powell Bill funds.

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

Assigned Fund Balance - portion of fund balance that the Town of Franklinton intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds for up to \$2,500.

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

## 12. Pensions

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

## **II. Stewardship, Compliance, and Accountability**

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

#### **1. Noncompliance with North Carolina General Statutes**

None noted.

#### **2. Contractual Violations**

None noted.

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

None noted.

### **C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2016, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$4,166. This over-expenditure occurred because of increase in benefits due to increases in health care benefits. The other over-expenditure related to the discontinued operations of solid waste for services provided by waste pickup company for \$16,189. The Water and Sewer Fund did not have an adopted budget. The operations for water and sewer for the Town is now being maintained by Franklin County. Management and the Board will more closely review the budget reports to ensure compliance in future years.

### **III. Detail Notes on All Funds**

#### **A. Assets**

##### **1. Deposits**

All the deposits of the Town and the ABC Board 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 or the ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Town's deposits had a carrying amount of \$1,152,828 and a bank balance of \$1,165,347. Of the bank balances, \$295,398 was covered by the Federal Deposit Insurance Corporation and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$140,777 and the bank balance was \$132,879. All of the bank balance was covered by the Federal Deposit Insurance Corporation. At June 30, 2016, the Town's petty cash fund totaled \$950.

##### **2. Investments**

The Town currently does not have any investments.

##### **3. Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

###### **General Fund:**

Taxes Receivable	\$	7,704
Accounts Receivable		-
Total	\$	<u>7,704</u>

#### 4. Capital Assets

##### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, were as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 115,597	\$ -	\$ -	\$ 115,597
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	115,597	-	-	115,597
<b>Capital assets being depreciated:</b>				
Building and improvements	485,335	-	-	485,335
Equipment	440,538	-	-	440,538
Vehicles and motorized equipment	766,561	-	-	766,561
Infrastructure	53,577	-	-	53,577
Total capital assets being depreciated	1,746,011	-	-	1,746,011
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	208,374	11,582	-	219,956
Equipment	319,571	18,462	-	338,033
Vehicles and motorized equipment	561,967	63,383	-	625,350
Infrastructure	17,029	1,525	-	18,554
Total accumulated depreciation	1,106,941	\$ 94,952	\$ -	1,201,893
Total capital assets being depreciated, net	639,070			544,118
<b>Governmental activity capital assets, net</b>	<b>\$ 754,667</b>			<b>\$ 659,715</b>

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

General government	\$ 12,608
Public safety	60,782
Transportation	20,845
Cultural and recreation	400
Cemetery	317
Total depreciation expense	<u>\$ 94,952</u>

### Construction commitments

The Town have no active construction projects as of June 30, 2016.

Component unit activities:	Beginning Balances	Increase	Decrease	Ending Balances
<b>Capital assets being depreciated:</b>				
Equipment	\$ 63,033	\$ 2,913	\$ -	\$ 65,946
Total capital assets being depreciated	63,033	2,913	-	65,946
<b>Less accumulated depreciation for:</b>				
Equipment	46,034	4,326	-	50,360
Total accumulated depreciation	46,034	\$ 4,326	\$ -	50,360
<b>ABC Board capital assets, net</b>	<u>\$ 16,999</u>			<u>\$ 15,586</u>

### B. Liabilities

#### 1. Pension Plan and Postemployment Obligations

##### a. Local Governmental Employee's Retirement System

*Plan Description.* The Town of Franklinton 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-office members. The Local Governmental Employee's Retirement System is included in the Comprehensive Annual Financial Report (CFAR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](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 thirty 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 benefits 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. The Town of Franklinton 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 Franklinton's contractually required contribution rate for the year ended June 30, 2016, was 7.41% of compensation for law enforcement officers and 7.07% 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 Franklinton were \$35,647 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 a liability of \$51,252 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 0.011%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$25,401. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ -	\$ 12,047
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	14,591
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,817	8,692
Town contributions subsequent to the measurement date	35,647	-
Total	<u>\$ 43,464</u>	<u>\$ 35,330</u>

\$35,647 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 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	\$ (16,662)
2018	(16,662)
2019	(16,671)
2020	22,482
	<u>\$ (27,513)</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 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 Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

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

*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:

	1% Increase (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability (asset)	\$ 357,387	\$ 51,252	\$ (206,660)

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

## b. Law Enforcement Officers Special Separation Allowance

### 1. Plan Description

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	10

A separate report was not issued for the plan.

### 2. Summary of Significant Accounting Policies:

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

- which 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 costs. These expenditures are paid as they come due.

### 3. 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 through appropriations made in the General Fund operating budget. 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.

The Town of Franklinton has not prepared the required actuarial study as of June 30, 2016.

#### c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$19,162 which consisted of \$16,953 from the Town and \$2,209 from the law enforcement officers.

#### d. Supplemental Retirement Income Plan for Regular Employees

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of 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 regular employee's salary, and all amounts contributed are vested immediately. Also, the regular employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$15,360 which consisted of \$12,032 from the Town and \$3,328 from the regular employees.

#### e. Other Employment Benefits

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

#### 2. 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	\$ 35,647
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,817
	<u>\$ 43,464</u>

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

Taxes Receivable (General Fund), less penalties	\$ 62,710
Differences between expected and actual experience	12,047
Net difference between projected and actual earnings on pension plan investments	14,591
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,692
Total	<u>\$ 98,040</u>

#### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to \$20 million per building per occurrence, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for aggregate property losses in a single year.

After the property pool has paid out \$1,000,000, then the pool will be liable for \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

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 does not carry flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is not eligible to purchase coverage of \$500,000 per structure through the NFIP.

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

#### 4. Long-Term Obligations

##### a. Installment Purchase

###### General Fund

In October 2009, the Town entered into an installment purchase to finance renovations that had been made to the Magistrate Building. The financing contract requires principal payments beginning in fiscal year 2012 with an interest rate of 4.890 percent.

The future minimum payments of the installment purchase as of June 30, 2016 including \$13,984 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,333	\$ 1,907
2018	4,333	1,695
2019	4,333	1,483
2020	4,333	1,060
2021	4,333	848
2022-2025	17,335	1,271
Total	<u>\$ 39,000</u>	<u>\$ 8,264</u>

In May 2015, the Town entered into an agreement purchase contract to finance the purchase of five police vehicles with an interest rate of 3.91 percent. The first principle payment was applied on the date of purchase leaving future minimum payments of the installment purchase as June 30, 2016 including \$2,831 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,686	\$ 2,759
2018	22,569	1,876
2019	23,487	956
Total	<u>\$ 67,742</u>	<u>\$ 5,591</u>

At June 30, 2016, the Town of Franklinton had a legal margin of \$8,179,706.

##### c. Changes in Long-Term Liabilities

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Current Portion of Balance</u>
<b>Governmental activities:</b>					
Installment purchases	\$ 131,922	\$ -	\$ 25,180	\$ 106,742	\$ 26,019
Net pension liability (LGERS)	-	51,252	-	51,252	-
Compensated absences	46,819	43,575	46,819	43,575	43,757
Governmental activities Long-term liabilities	<u>\$ 178,741</u>	<u>\$ 94,827</u>	<u>\$ 71,999</u>	<u>\$ 201,569</u>	<u>\$ 69,776</u>

Compensated absences typically have been liquidated in the general fund.

#### C. Fund Balance

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

Total fund balance - General Fund	\$ 844,231
Less:	
Stabilization by State Statute	196,270
Streets - Powell Bill	168,805
Remaining fund balance	479,156

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

	From	To	Total
General Fund:			
General Fund	\$ 17,945	\$ -	\$ 17,945
Water and Sewer Fund			
Water and Sewer Fund		(17,945)	(17,945)
Total	\$ 17,945	\$ (17,945)	\$ -

There were no transfers during the year.

#### IV. Jointly Governed Organization

The Town, in conjunction with five counties and fourteen other municipalities, established the Kerr-Tar Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies.

Each participating government appoints a total of thirty-two members to the Council's governing board. The Town paid membership fees of \$972 to the Council during the fiscal year ended June 30, 2016.

#### V. 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 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.

#### VI. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date.

### **Required Supplementary Financial Data**

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**This section contains additional information required by generally accepted accounting principles.**

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

Schedule of Contributions to Local Government Employees' Retirement System

**TOWN OF FRANKLINTON**  
**TOWN OF FRANKLINTON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST THREE FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Franklinton's proportion of the net pension liability (asset) (%)	0.01142%	0.01247%	0.01140%
Franklinton's proportion of the net pension liability (asset) (\$)	\$ 51,252	\$ (73,541)	\$ 49,373
Franklinton's covered-employee payroll	\$ 620,686	\$ 689,616	\$ 657,115
Franklinton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.26%	(10.66%)	7.51%
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 ended June 30.

**TOWN OF FRANKLINTON  
TOWN OF FRANKLINTON'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 35,647	\$ 45,008	\$ 49,446
Contributions in relation to the contractually required contribution	35,647	45,008	49,446
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Franklinton's covered-employee payroll	\$ 594,122	\$ 620,686	\$ 689,616
Contributions as a percentage of covered-employee payroll	6.00%	7.25%	7.17%

## **Individual Fund Statements and Schedules**

**Town of Franklinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year ended June 30, 2016**

	<b>2016</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 742,033	
Penalties and interest		1,925	
Total	744,000	743,958	(42)
Other taxes and licenses:			
Privilege licenses	-	-	
Total	-	-	-
Unrestricted intergovernmental:			
Local option sales taxes		289,315	
Utility franchise tax		133,623	
Motor fuel tax refund		1,319	
CATV franchise fee		-	
Sales tax refund		2,947	
Beer and wine tax		8,886	
ABC profit distribution		65,054	
Total	409,954	501,144	91,190
Restricted intergovernmental			
Powell Bill allocation		64,060	
ABC Revenue for law enforcement		2,234	
Solid Waste Disposal Tax		1,285	
SRO Revenue		67,573	
Federal drug seizure funds		-	
Drug Tax Revenue		3,116	
Total	147,365	138,268	(9,097)
Permits and fees:			
Building permits		4,580	
CSX permit		2,500	
Total	7,500	7,080	(420)
Sales and services:			
Sanitation fees		-	
Utility revenues collected		-	
Cemetery revenues		5,900	
Total	2,000	5,900	3,900
Investment earnings	-	570	570

**Town of Franklinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year ended June 30, 2016**

	2016		Variance
	Budget	Actual	Positive (Negative)
Miscellaneous:			
Police report revenues		1,689	
Parking violations		2,530	
Code violations		414	
Special events		26,782	
Parks and recreation		15,081	
Rent		16,500	
Other		(2,013)	
Total	69,974	60,983	(8,991)
Total Revenues	1,380,793	1,457,903	77,110
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		31,060	
Other operating expenditures		14,180	
CDBG reimbursement		16,000	
Total	57,881	61,240	(3,359)
Administration:			
Salaries and employee benefits		171,971	
Other operating expenditures		71,376	
Total	242,398	243,347	(949)
Code enforcement:			
Other operating expenditures		1,959	
Total	2,100	1,959	141
Legal:			
Professional services		23,999	
Total	24,000	23,999	1
Total general government	326,379	330,545	(4,166)
Public safety:			
Police:			
Salaries and employee benefits		497,817	
Vehicle maintenance, gas, tires		45,126	
Other operating expenditures		61,333	
Capital Outlay		-	
Total public safety	630,022	604,276	25,746

**Town of Franklinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual**  
**For the Fiscal Year ended June 30, 2016**

	<b>2016</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
Transportation:			
Streets and highways:			
Salaries and employee benefits		235,213	
Street lights		52,076	
Other operating expenditures		74,056	
Powell Bill expenditures		26,980	
Capital Outlay		-	
Total transportation	425,927	388,325	37,602
Environmental protection:			
Solid waste:			
Administration		-	
Other operating expenditures		16,189	
Total environmental protection	-	16,189	(16,189)
Cemetery:			
Supplies		866	
Total cemetery	1,500	866	634
Culture and recreation:			
Parks and recreation:			
One Franklinton		9,072	
Other operating expenditures		12,865	
Total parks and recreation:	25,257	21,937	3,320
Tree Beautification:			
Trees, dues		1,236	
Total Tree beautification:	2,029	1,236	793
Debt Service:			
Principal Payments		25,180	
Interest and other charges		6,613	
Total debt service	31,799	31,793	6
Total expenditures	1,442,913	1,395,167	47,746
Revenues over (under) expenditures	(62,120)	62,736	124,856
Other financing sources (uses)			
Appropriated fund balance		-	
Total	62,120	-	(62,120)
Net Change in Fund Balance	\$ -	62,736	\$ 62,736
Fund balance, July 1, 2015		781,495	
Fund balance, June 30, 2016		\$ 844,231	

**Town of Franklinton, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year ended June 30, 2016**

	2016		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Charges for services:			
Water sales	\$ -	\$ (70,985)	
Sewer charges		(41,636)	
Total	-	(112,621)	(112,621)
Water and sewer taps	-	-	-
Other operating revenues	-	(6,685)	(6,685)
Total operating revenues	-	(119,306)	(119,306)
Nonoperating revenues:			
Interest earnings	-	-	-
Total revenues	-	(119,306)	(119,306)
<b>Expenditures:</b>			
Water and sewer works department:			
Water and sewer works:			
Salaries and employee benefits		-	
Other operating expenditures		(572)	
Total water and sewer works	-	(572)	572
Water plant:			
Water plant:			
Salaries and employee benefits		-	
Chemicals		-	
Contracted services		-	
Other operating expenditures		1,172	
Total water plant	-	1,172	(1,172)
Debt service:			
Principal retirement		-	
Interest and other charges		-	
Total Debt service	-	-	-
Capital outlay:			
Water and sewer works		-	
Water plant		-	
Total capital outlay	-	-	-
Total expenditures	-	600	(600)
Other financing sources (uses):			
Capital Obligations	-	-	-
Total other financing sources (uses)	-	-	-

**Town of Franklinton, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year ended June 30, 2016**

	<u>2016</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>
			<u>(Negative)</u>
Fund Balance Appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other financing sources, and appropriated fund balances over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (119,906)</u>	<u>\$ (119,906)</u>
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ (119,906)	
Reconciling items:			
Principal retirement		-	
Capital outlay		-	
Loan Proceeds		-	
Depreciation		-	
Decrease in accrued vacation pay		-	
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ (119,906)</u>	

**Town of Franklinton, North Carolina  
Fines and Forfeitures Agency Fund  
Statement of Changes in Assets and Liabilities  
For the Year ended June 30, 2016**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ -</u>

## Other Schedules

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**This section contains additional information required on property taxes**

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

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

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2015</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2016</b>
2015-2016	\$ -	\$ 745,605	\$ 722,233	\$ 23,372
2014-2015	28,583	-	12,579	16,004
2013-2014	11,113	-	3,632	7,481
2012-2013	8,519	-	1,707	6,812
2011-2012	6,352	-	974	5,378
2010-2011	4,709	-	1,046	3,663
2009-2010	3,841	-	836	3,005
2008-2009	2,922	-	470	2,452
2007-2008	2,490	-	243	2,247
2006-2007	1,978	-	1,978	-
	<u>\$ 70,507</u>	<u>\$ 745,605</u>	<u>\$ 745,698</u>	<u>\$ 70,414</u>
Less allowance for uncollectible accounts: General Fund				<u>7,704</u>
Ad valorem taxes receivable – net				<u>\$ 62,710</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes – General Fund				\$ 743,958
Penalties collected on ad valorem taxes – Agency Fund				-
Reconciling items:				
Interest collected				(1,925)
Discounts allowed				1,687
Taxes written off				1,978
Subtotal				<u>1,740</u>
Total collections and credits				<u>\$ 745,698</u>

**Town of Franklinton, North Carolina  
Analysis of Current Tax Levy  
Town – Wide Levy  
For the fiscal Year Ended June 30, 2016**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 104,711,528	0.72	753,923	\$ 676,129	\$ 77,794
Registered motor vehicles taxed at prior year's rate	-	0.72	-	-	-
Penalties	-		-	-	-
Total	<u>104,711,528</u>		<u>753,923</u>	<u>676,129</u>	<u>77,794</u>
Discoveries:					
Current year taxes	29,761	0.72	39	39	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	<u>(1,160,694)</u>	0.72	<u>(8,357)</u>	<u>(8,357)</u>	-
Total property valuation	<u>\$ 103,580,595</u>				
Net levy			745,605	667,772	77,794
Uncollected taxes June 30, 2016			<u>(23,372)</u>	<u>(23,372)</u>	-
Current year's taxes collected			<u>\$ 722,233</u>	<u>\$ 644,400</u>	<u>\$ 77,794</u>
Current levy collection %			<u>96.87%</u>	<u>96.50%</u>	<u>100.00%</u>

**Town of Franklinton, North Carolina**  
**Schedule of Net Position**  
**Water and Sewer Fund by Function**  
**June 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 248,659	\$ 194,707	\$ 443,366
Accounts receivable (net)	-	-	-
Due from other funds	55,376	-	55,376
Due from other governments	5,464	-	5,464
Inventories	-	-	-
Total current assets	<u>309,499</u>	<u>194,707</u>	<u>504,206</u>
Capital assets: (Note 1):			
Land, non-depreciable improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 309,499</u></u>	<u><u>\$ 194,707</u></u>	<u><u>\$ 504,206</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	37,431	-	37,431
Current portion of long-term liabilities	-	-	-
Customer Deposits			
Noncurrent liabilities:			
Compensated absences	-	-	-
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37,431</u>	<u>-</u>	<u>37,431</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	-	-
Restricted for:			
Unrestricted	272,068	194,707	466,775
Total net position	<u><u>\$ 272,068</u></u>	<u><u>\$ 194,707</u></u>	<u><u>\$ 466,775</u></u>

**Town of Franklinton**  
**Schedule of Revenues, Expenditures, and Changes in Fund Net Position**  
**Water and Sewer by Function**  
**For the Year Ended June 30, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ (70,985)	\$ (41,636)	\$ (112,621)
Water and sewer taps	-	-	-
Other operating revenues	(6,685)	-	(6,685)
<b>Total operating revenues</b>	<u>(77,670)</u>	<u>(41,636)</u>	<u>(119,306)</u>
<b>OPERATING EXPENSES</b>			
Water and sewer works	1,172	(572)	600
Water plant	-	-	-
Depreciation	-	-	-
<b>Total operating expenses</b>	<u>1,172</u>	<u>(572)</u>	<u>600</u>
<b>Operating income (loss)</b>	<u>(78,842)</u>	<u>(41,064)</u>	<u>(119,906)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	-	-	-
Interest and other charges	-	-	-
<b>Total non-operating revenue (expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	(78,842)	(41,064)	(119,906)
<b>Total net position, beginning</b>	<u>349,733</u>	<u>236,948</u>	<u>586,681</u>
<b>Total net position, ending</b>	<u>\$ 270,891</u>	<u>\$ 195,884</u>	<u>\$ 466,775</u>

**Town of Franklinton, North Carolina**  
**Statement of Cash Flows**  
**Water and Sewer by Function**  
**For the Year Ended June 30, 2016**

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ (2,565)	\$ 2,983	\$ 418
Cash paid for goods and services	(360)	(1,277)	(1,637)
Cash paid to or on behalf of employees for services	-	-	-
Other operating revenues	523	-	523
Net cash provided (used) by operating activities	<u>(2,402)</u>	<u>1,706</u>	<u>(696)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Due to (from) other funds	-	-	-
Total cash flows from non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Installment proceeds	-	-	-
Acquisitions and construction of capital assets	-	-	-
Principal paid on bond payable	-	-	-
Principal paid on installment payable	-	-	-
Interest and other charges	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	-	-
Net increase (decrease) in cash and cash equivalents	(2,402)	1,706	(696)
Balances, beginning	271,497	172,565	444,062
Balances, ending	<u>\$ 269,095</u>	<u>\$ 174,271</u>	<u>\$ 443,366</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (70,457)	\$ (42,241)	\$ (112,698)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	68,420	44,619	113,039
Increase (decrease) in allowance for doubtful accounts	-	-	-
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(365)	(672)	(1,037)
Increase in customer deposits	-	-	-
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	<u>68,055</u>	<u>43,947</u>	<u>112,002</u>
Net cash provided by operating activities	<u>\$ (2,402)</u>	<u>\$ 1,706</u>	<u>\$ (696)</u>