

**Town of Burgaw
Burgaw, North Carolina**

Audited Financial Statements

Year Ended June 30, 2017

Town of Burgaw, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2017

Board of Commissioners

Eugene Mulligan, Mayor

Wilfred L. Robbins, Mayor Pro-Tem

Jan Dawson

William E. George, III

Vernon Harrell

James L. Murphy, Sr.

Administrative and Financial Staff

Chadwick McEwen, Town Manager

Wendy Pope, Finance Director

Town of Burgaw, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Burgaw, 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 Burgaw, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Burgaw TDA were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Burgaw, North Carolina as of June 30, 2017, 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 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

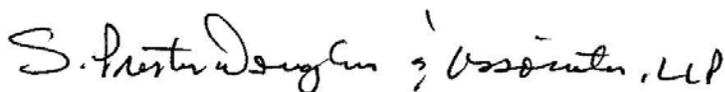
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018 on our consideration of the Town of Burgaw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Burgaw's internal control over financial reporting and compliance.



Lumberton, North Carolina
January 11, 2018

Management's Discussion and Analysis

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

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

Financial Highlights

The assets and deferred outflows of the Town of Burgaw exceeded its liabilities and deferred inflows at the close of the fiscal year by \$25,417,288 (net position).

The government's total net position increased in the amount of \$481,699 primarily due to an increase in grant revenues.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,953,372. Approximately 90.27% of this total amount, or \$3,568,897, is available for spending at the government's discretion.

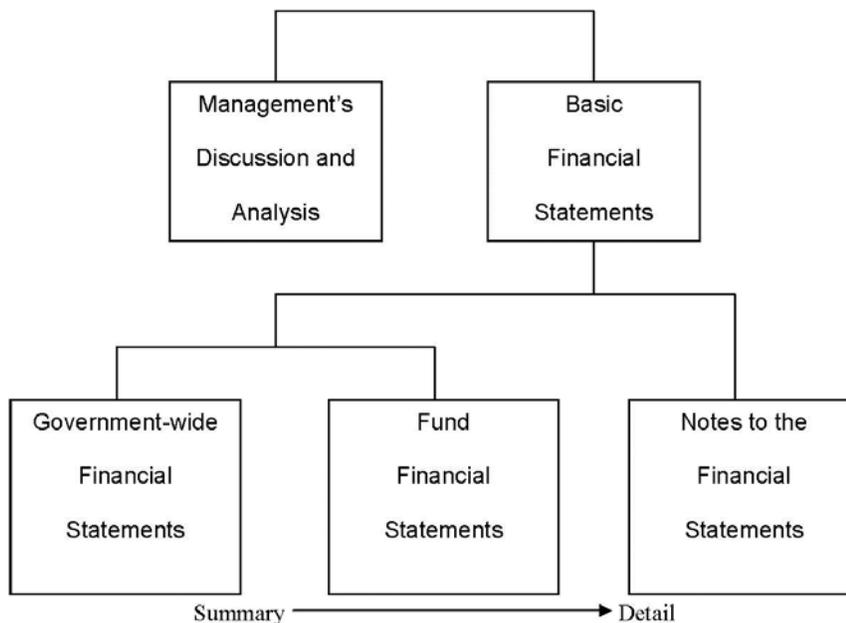
At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,568,897 or 99.29% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Burgaw's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Burgaw.

Required Components of Annual Financial Report

Figure 1



Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Basic Financial Statements

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the 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 total liabilities. 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 unit. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Burgaw. The final category is the component unit. Although legally separate from the Town, the TDA is important to the Town. The Town exercises control over the Board by appointing its members.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements. The fund financial statements 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 Burgaw, like other state and local governments, 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 can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Governmental Funds (continued). The Town of Burgaw 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. The Town of Burgaw maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

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 can be found on pages 21-46 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Burgaw's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes in this report. The combining statements, referred to earlier about non-major governmental funds and details of the enterprise funds, can be found on pages 51-62 of this report.

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

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Government-Wide Financial Analysis

The Town of Burgaw's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 4,135,831	\$ 4,112,300	\$ 2,740,454	\$ 2,558,647	\$ 6,876,285	\$ 6,670,947
Capital assets	3,682,358	3,417,880	19,370,451	18,858,987	23,052,809	22,276,867
Deferred outflows	387,282	89,696	105,225	30,828	492,507	120,524
Total assets and deferred outflows of resources	8,205,471	7,619,876	22,216,130	21,448,462	30,421,601	29,068,338
Current liabilities	263,350	75,719	280,394	203,040	543,744	278,759
Long-term liabilities	1,204,059	933,199	3,214,080	2,541,251	4,418,139	3,474,450
Deferred inflows	30,335	61,125	12,095	21,009	42,430	82,134
Total liabilities and deferred inflows of resources	1,497,744	1,070,043	3,506,569	2,765,300	5,004,313	3,835,343
Net position:						
Net investment in capital assets	3,154,406	2,679,574	16,224,441	16,471,911	19,378,847	19,151,485
Restricted	173,722	640,254	-	-	173,722	640,254
Unrestricted	3,379,599	3,230,005	2,485,120	2,211,251	5,864,719	5,441,256
Total net position	\$ 6,707,727	\$ 6,549,833	\$ 18,709,561	\$ 18,683,162	\$ 25,417,288	\$ 25,232,995

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$25,417,288 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 76.24%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 0.68%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net position is \$5,864,719 or 23.07% of the total.

Ad valorem taxes were the largest revenue contributor for the governmental funds with 37.59% of total revenues. Unrestricted intergovernmental revenues were the next largest at 32.99%.

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, cultural and recreation, and non-departmental.

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Government-Wide Financial Analysis (continued)

Town of Burgaw's Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 779,341	\$ 943,413	\$ 1,751,958	\$ 1,741,324	\$ 2,531,299	\$ 2,684,737
Operating grants and contributions	295,228	122,603	-	22,000	295,228	144,603
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	1,410,047	1,413,518	-	-	1,410,047	1,413,518
Other taxes	1,237,295	1,187,682	-	-	1,237,295	1,187,682
Other	29,119	6,976	1,549	2,281	30,668	9,257
Total revenues	<u>3,751,030</u>	<u>3,674,192</u>	<u>1,753,507</u>	<u>1,765,605</u>	<u>5,504,537</u>	<u>5,439,797</u>
Expenses:						
General government	698,677	663,917	-	-	698,677	663,917
Public safety	1,503,944	1,485,597	-	-	1,503,944	1,485,597
Transportation	287,341	271,344	-	-	287,341	271,344
Environmental protection	328,837	340,770	-	-	328,837	340,770
Economic development	135,210	172,297	-	-	135,210	172,297
Cultural and recreation	145,364	140,697	-	-	145,364	140,697
Interest of long-term debt	16,753	14,363	-	-	16,753	14,363
Water and sewer	-	-	1,841,751	1,932,894	1,841,751	1,932,894
Central services	64,961	94,574	-	-	64,961	94,574
Total expenses	<u>3,181,087</u>	<u>3,183,559</u>	<u>1,841,751</u>	<u>1,932,894</u>	<u>5,022,838</u>	<u>5,116,453</u>
Increase (decrease) in net position before	569,943	490,633	(88,244)	(167,289)	481,699	323,344
Transfers	-	(61,409)	-	61,409	-	-
Change in net position	569,943	429,224	(88,244)	(105,880)	481,699	323,344
Net position, beginning restated	6,137,784	6,120,609	18,797,805	18,789,042	24,935,589	24,909,651
Net position - June 30	<u>\$ 6,707,727</u>	<u>\$ 6,549,833</u>	<u>\$ 18,709,561</u>	<u>\$ 18,683,162</u>	<u>\$ 25,417,288</u>	<u>\$ 25,232,995</u>

Governmental activities. Governmental activities increased the Town's net position by \$569,943. Key elements of this increase are as follows:

- Increase in grant revenues.

Business-type activities. Business-type activities decreased the Town's net position by \$88,244 compared to a decrease in net position in the prior fiscal year of \$105,880. Key elements of the change in net position compared to prior year are as follows:

- Total revenues decreased by \$12,089 compared to the prior year.
- Total expenses decreased by \$91,143 compared to the prior year.

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$3,953,372. Of this total amount, \$3,568,897 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Burgaw. At the end of the fiscal year, unassigned fund balance for the general fund was \$3,568,897 with a total fund balance of \$3,946,683. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 99.29% of total General Fund expenditures.

Proprietary Funds. The Town of Burgaw's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,523,507. Other factors concerning this fund have been discussed in the Town's business-type activities.

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:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

Revenue exceeded budget due to modest increases in ad valorem tax levies, sales tax and ABC distribution tax collection as well as sales and service revenues. Expenditures were held in check to comply with the town's budgetary requirements.

Proprietary Funds. The Town of Burgaw's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,523,507. The total change in net position was (\$88,244). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Burgaw's business-type activities.

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Capital Assets and Debt Administration

The Town of Burgaw's investments in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$23,052,809 (net of accumulated depreciation). The investments in capital assets includes buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Town of Burgaw's Capital Assets
(net of depreciation)
Figure 4

	Governmental		Business-type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 556,528	\$ 556,528	\$ 60,861	\$ 60,861	\$ 617,389	\$ 617,389
Buildings and system	1,623,736	1,471,292	17,865,040	16,331,009	19,488,776	17,802,301
Equipment and furniture	-	-	-	100,974	-	100,974
Infrastructure	965,490	839,968	-	-	965,490	839,968
Vehicles and motorized equipment	536,604	550,092	28,899	38,531	565,503	588,623
Construction in progress	-	-	1,415,651	2,327,612	1,415,651	2,327,612
Total capital assets, net	\$ 3,682,358	\$ 3,417,880	\$ 19,370,451	\$ 18,858,987	\$ 23,052,809	\$ 22,276,867

During the fiscal year ended June 30, 2017, the Town determined that construction in progress at July 1, 2016 was overstated by \$69,819 in error in the Water and Sewer Capital Project Fund. The net effect of the adjustment decreased construction in progress at July 1, 2016 by \$69,519. See Note 3 for additional information.

Long-term debt. At the end of the current fiscal year, the Town of Burgaw had revenue bonds, installment debt, and revolving debt of \$1,878,000, 527,952, and \$1,306,397, respectively. The general obligation bonds are backed by the full faith and credit of the Town. The installment debt is backed by the security interest in the property which it was issued. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

Town of Burgaw's Outstanding Debt
Figure 5

	Governmental		Business-type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 1,878,000	\$ 1,910,000	\$ 1,878,000	\$ 1,910,000
Installment purchase	527,952	738,306	-	-	527,952	738,306
General obligation bonds	-	-	-	477,076	-	477,076
Revolving loan	-	-	1,306,397	-	1,306,397	-
Compensated absences	70,337	72,445	9,445	8,013	79,782	80,458
Net pension debt (LGERS)	458,837	88,833	123,304	28,814	582,141	117,647
Net pension debt (LEO)	261,199	65,936	-	-	261,199	65,936
Total	\$ 1,318,325	\$ 965,520	\$ 3,317,146	\$ 2,423,903	\$ 4,635,471	\$ 3,389,423

Town of Burgaw, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Capital Assets and Debt Administration (continued)

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Burgaw is presently at \$23,595,300 (the amount of additional debt the town could obligate itself to under NC General Statute).

The Town of Burgaw's total debt increased by \$1,239,059 during the past fiscal year, primarily due to the \$1,306,397 revolving debt issued for water and sewer capital projects.

Additional information pertaining to the Town of Burgaw's long-term debt can be found in the notes on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic indicators reflect the growth of the Town:

- Water and sewer availability continues to attract new home construction and commercial businesses.
- Local sales tax revenues increased due to confidence in consumer spending.
- Rehabilitation of downtown infrastructure (i.e. alley and sidewalks) continues in an effort to encourage and promote businesses in the central business district.
- Plans for infrastructure improvement by repaving Town owned roads during fiscal year 2017/2018.
- Grants and private-partnerships have provided the Town with the opportunity to invest in much needed stormwater and drainage improvements.

Budget Highlights for the Fiscal Year Ended June 30, 2018

Governmental Activities. The Town of Burgaw as part of Pender county was subject to a property revaluation in 2011. The next scheduled revaluation is in 2019 as property revaluations in Pender county happen every eight years. Property tax rates remained revenue-neutral with a tax rate of \$.48 per \$100 valuation for tax year 2017. Property tax rates were reduced to a rate of \$.46 per \$100 valuation for tax year 2018. Ad valorem based revenues are growing modestly; however, revenues received from the reduced levy will not significantly increase budgeted revenues in fiscal year 2017/2018.

Budgeted expenditures in the General Fund are expected to increase approximately 6.74%. The largest increments are in employee compensation, including funding compensation and benefits adjustments. Part of this increase is attributed to the addition of a full time Parks and Recreation Coordinator for the Town of Burgaw.

Business-Type Activities. For the FY 17-18, the budget included water and sewer rates that remained unchanged. After implementation of advanced metering technology, the Town, and consumers, can monitor water usage. This allows for leaks and other irregularities to be recognized before becoming a financial burden. This technology will also foster water conservation, and in the longer term help to regulate rates within our system.

Request for Information

This financial report is designed to provide a general overview of the Town of Burgaw's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wendy Pope, Finance Officer, Town of Burgaw, 109 N Walker St. Burgaw, NC 28425.

Basic Financial Statements

Town of Burgaw, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			Burgaw TDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,819,243	\$ 2,509,968	\$ 6,329,211	\$ 27,078
Restricted cash and cash equivalents	-	112,899	112,899	-
Accounts receivable, net	285,471	117,587	403,058	-
Tax receivables, net	31,117	-	31,117	-
Total current assets	4,135,831	2,740,454	6,876,285	27,078
Non-current assets:				
Capital assets:				
Land, improvements, and construction in progress	556,528	3,395,890	3,952,418	-
Other capital assets, net of depreciation	3,125,830	15,974,561	19,100,391	-
Total capital assets	3,682,358	19,370,451	23,052,809	-
Total assets	7,818,189	22,110,905	29,929,094	27,078
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	387,282	105,225	492,507	-
Total deferred outflows of resources	387,282	105,225	492,507	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	154,084	66,418	220,502	-
Current portion of long-term liabilities	109,266	101,077	210,343	-
Customer deposits	-	112,899	112,899	-
Total current liabilities	263,350	280,394	543,744	-
Long-term liabilities:				
Net pension liability	453,837	121,315	575,152	-
Total pension liability	261,199	-	261,199	-
Due in more than one year	489,023	3,092,765	3,581,788	-
Total liabilities	1,467,409	3,494,474	4,961,883	-
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	30,335	12,095	42,430	-
Total deferred inflows of resources	30,335	12,095	42,430	-
NET POSITION				
Net investment in capital assets	3,154,406	16,186,054	19,340,460	-
Restricted for:				
Stabilization by State Statute	131,592	-	131,592	-
Reserve requirement	42,130	-	42,130	-
Unrestricted (deficit)	3,379,599	2,523,507	5,903,106	27,078
Total net position	\$ 6,707,727	\$ 18,709,561	\$ 25,417,288	\$ 27,078

Town of Burgaw, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Burgaw TDA
						Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 698,677	\$ 164,190	\$ 172,724	\$ -	\$ (361,763)	\$ -	\$ (361,763)	\$ -
Public safety	1,503,944	350,655	-	-	(1,153,289)	-	(1,153,289)	-
Transportation	287,341	-	119,140	-	(168,201)	-	(168,201)	-
Cultural and recreation	145,364	-	-	-	(145,364)	-	(145,364)	-
Central services	64,961	-	-	-	(64,961)	-	(64,961)	-
Economic development	135,210	-	-	-	(135,210)	-	(135,210)	-
Environmental protection	328,837	264,496	3,364	-	(60,977)	-	(60,977)	-
Interest on long-term debt	16,753	-	-	-	(16,753)	-	(16,753)	-
Total governmental activities	3,181,087	779,341	295,228	-	(2,106,518)	-	(2,106,518)	-
Business-type activities:								
Water and sewer	1,841,751	1,751,958	-	-	-	(89,793)	(89,793)	-
Total business-type activities	1,841,751	1,751,958	-	-	-	(89,793)	(89,793)	-
Total primary government	\$ 5,022,838	\$ 2,531,299	\$ 295,228	\$ -	(2,106,518)	(89,793)	(2,196,311)	-
Component unit:								
Burgaw TDA	\$ -	\$ -	\$ -	\$ -	-	-	-	6,950
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,950
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,410,047	-	1,410,047	-
Local option sales tax					958,474	-	958,474	-
Other taxes and licenses					278,821	-	278,821	10,224
Investment earnings, unrestricted					7,980	1,549	9,529	-
Miscellaneous, unrestricted					21,139	-	21,139	-
Total general revenues not including transfers					2,676,461	1,549	2,678,010	10,224
Transfers					-	-	-	-
Total general revenues and transfers					2,676,461	1,549	2,678,010	-
Change in net position					569,943	(88,244)	481,699	3,274
Net position, beginning, previously reported					6,549,833	18,683,162	25,232,995	23,804
<i>Restatement (Note 3)</i>					<i>(412,049)</i>	<i>114,643</i>	<i>(297,406)</i>	<i>-</i>
Net position, beginning, restated					6,137,784	18,797,805	24,935,589	23,804
Net position, ending					\$ 6,707,727	\$ 18,709,561	\$ 25,417,288	\$ 27,078

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

Town of Burgaw, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>Major Funds</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Osgood Canal Greenway</u>		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,812,554	\$ -	\$ 6,689	\$ 3,819,243
Restricted cash and cash equivalents	-	-	-	-
Taxes receivable, net	31,117	-	-	31,117
Accounts receivable, net	108,795	-	-	108,795
Due from other governments	176,676	-	-	176,676
Total assets	<u>\$ 4,129,142</u>	<u>\$ -</u>	<u>\$ 6,689</u>	<u>\$ 4,135,831</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 151,342	\$ -	\$ -	\$ 151,342
Total liabilities	<u>151,342</u>	<u>-</u>	<u>-</u>	<u>151,342</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	31,117	-	-	31,117
Total deferred inflows of resources	<u>31,117</u>	<u>-</u>	<u>-</u>	<u>31,117</u>
<u>FUND BALANCES</u>				
Non Spendable:				
Cemetery Trust Funds	153,879	-	-	153,879
Restricted:				
Reserve requirement	42,130	-	-	42,130
Stabilization by State Statute	131,592	-	-	131,592
Committed				
Economic development	-	-	6,689	6,689
Fire department equipment	50,185	-	-	50,185
Unassigned	3,568,897	-	-	3,568,897
Total fund balances	<u>3,946,683</u>	<u>-</u>	<u>6,689</u>	<u>3,953,372</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,129,142</u>	<u>\$ -</u>	<u>\$ 6,689</u>	<u>\$ 4,135,831</u>

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

Town of Burgaw, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, governmental funds		\$ 3,953,372
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	8,803,434	
Accumulated depreciation	<u>(5,121,076)</u>	3,682,358
Deferred outflows of resources related to pensions and are not reported in the funds		387,282
Earned revenues considered deferred inflows of resources in fund statements		31,117
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt		(598,289)
Net pension liability		(453,837)
Total pension liability		(261,199)
Deferred inflows of resources related to pension are not reported in the funds		(30,335)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore not reported in the funds.		<u>(2,742)</u>
Net position of governmental activities		<u><u>\$ 6,707,727</u></u>

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

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

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General	Osgood Canal Greenway		
Revenues:				
Ad valorem taxes	\$ 1,416,528	\$ -	\$ -	\$ 1,416,528
Unrestricted intergovernmental	1,237,295	-	-	1,237,295
Restricted intergovernmental	122,504	-	-	122,504
Permits and fees	36,478	-	-	36,478
Sales and services	639,284	-	-	639,284
Investment earnings	7,980	-	-	7,980
Miscellaneous	276,304	-	-	276,304
Total revenues	3,736,373	-	-	3,736,373
Expenditures:				
Current:				
General government	894,895	-	-	894,895
Public safety	1,427,152	-	-	1,427,152
Transportation	390,998	-	-	390,998
Environmental protection	375,158	-	-	375,158
Central services	64,042	-	-	64,042
Culture and recreation	77,604	-	-	77,604
Economic development	140,167	-	-	140,167
Debt service:				
Principal	210,354	-	-	210,354
Interest and other charges	14,012	-	-	14,012
Total expenditures	3,594,382	-	-	3,594,382
Excess (deficiency) of revenues over expenditures	141,991	-	-	141,991
Other financing sources (uses)				
Transfers (to) from other funds	35,570	(35,570)	-	-
Insurance recovery	21,139	-	-	21,139
Total other financing sources (uses)	56,709	(35,570)	-	21,139
Net change in fund balances	198,700	(35,570)	-	163,130
Fund balance, beginning as previously reported	3,984,045	35,570	6,689	4,026,304
Prior period adjustment (Note 3)	(236,062)	-	-	(236,062)
Fund balance, beginning as restated	3,747,983	35,570	6,689	3,790,242
Fund balances, ending	\$ 3,946,683	\$ -	\$ 6,689	\$ 3,953,372

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

Town of Burgaw, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
June 30, 2017

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

Net change in fund balances - total governmental funds	\$	163,130
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 530,718		
Depreciation expense for governmental assets	<u>(266,240)</u>		264,478

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			87,735
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in unavailable revenue for tax revenues			(6,482)

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 an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 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	210,354		
(Increase) decrease in accrued interest payable	<u>(2,741)</u>		207,613

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	2,108		
Pension revenue (expense)	(124,498)		
Net pension obligation (LEO)	<u>(24,141)</u>		<u>(146,531)</u>

Total changes in net position of governmental activities	\$	<u>569,943</u>
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Town of Burgaw, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2017

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,321,232	\$ 1,321,232	\$ 1,416,528	\$ 95,296
Unrestricted intergovernmental	1,222,920	1,212,420	1,237,295	24,875
Restricted intergovernmental	122,000	122,000	122,504	504
Permits and fees	24,800	24,800	36,478	11,678
Sales and services	630,832	630,832	639,284	8,452
Investment earnings	1,722	1,722	7,980	6,258
Miscellaneous	45,443	123,827	276,304	152,477
Total revenues	3,368,949	3,436,833	3,736,373	299,540
Expenditures:				
Current:				
General government	753,314	1,093,154	894,895	198,259
Public safety	1,446,793	1,497,855	1,427,152	70,703
Transportation	399,110	424,490	390,998	33,492
Environmental protection	354,778	396,037	375,158	20,879
Central services	72,716	73,157	64,042	9,115
Culture and recreation	182,756	184,755	77,604	107,151
Economic development	183,494	187,253	140,167	47,086
Debt service:				
Principal retirement	210,355	210,355	210,354	1
Interest and other charges	14,012	14,012	14,012	-
Total expenditures	3,617,328	4,081,068	3,594,382	486,686
Revenues over (under) expenditures	(248,379)	(644,235)	141,991	786,226
Other financing sources (uses):				
Transfers (to) from other funds	-	-	35,570	-
Insurance recovery	-	17,872	21,139	-
Total other financing sources (uses)	-	17,872	56,709	38,837
Appropriated fund balance	248,379	626,363	-	
Net change in fund balances	\$ -	\$ -	198,700	\$ 198,700
Fund balance, beginning as previously reported			3,984,045	
Prior period adjustment (Note 3)			(236,062)	
Fund balance, beginning as restated			3,747,983	
Fund balance, ending			\$ 3,946,683	

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

Town of Burgaw, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

<u>ASSETS</u>	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Total</u>
Current assets:		
Cash and cash equivalents	\$ 2,509,968	\$ 2,509,968
Restricted cash and cash equivalents	112,899	112,899
Accounts receivable (net)	117,587	117,587
Total current assets	<u>2,740,454</u>	<u>2,740,454</u>
Non-current assets:		
Capital assets:		
Land and other non-depreciable assets	3,395,890	3,395,890
Other capital assets, net of depreciation	15,974,561	15,974,561
Capital assets	<u>19,370,451</u>	<u>19,370,451</u>
Total noncurrent assets	<u>19,370,451</u>	<u>19,370,451</u>
Total assets	<u>22,110,905</u>	<u>22,110,905</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension deferrals	105,225	105,225
Total deferred outflows of resources	<u>105,225</u>	<u>105,225</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	66,418	66,418
Current portion of long-term liabilities	101,077	101,077
Customer deposits	112,899	112,899
Total current liabilities	<u>280,394</u>	<u>280,394</u>
Noncurrent liabilities:		
Compensated absences	9,445	9,445
Net pension liability	121,315	121,315
Noncurrent portion of long-term debt	3,083,320	3,083,320
Total noncurrent liabilities	<u>3,214,080</u>	<u>3,214,080</u>
Total liabilities	<u>3,494,474</u>	<u>3,494,474</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension deferrals	12,095	12,095
Total deferred inflows of resources	<u>12,095</u>	<u>12,095</u>
 <u>NET POSITION</u>		
Net investment in capital assets	16,186,054	16,186,054
Unrestricted	2,523,507	2,523,507
Total net position	<u>\$ 18,709,561</u>	<u>\$ 18,709,561</u>

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

Town of Burgaw, North Carolina
Statement Revenues, Expenses and changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Major Enterprise Fund	Total
	Water and Sewer Fund	
Operating revenues:		
Charges for services	\$ 1,718,949	\$ 1,718,949
Water & Sewer taps/impact fees	20,692	20,692
Other operating revenues	12,317	12,317
Total operating revenues	1,751,958	1,751,958
Operating expenses:		
Water and sewer treatment and distribution	1,270,814	1,270,814
Depreciation	495,953	495,953
Total operating expenses	1,766,767	1,766,767
Operating income (loss)	(14,809)	(14,809)
Nonoperating revenues (expenses):		
Investment earnings	1,549	1,549
Interest and other charges	(74,984)	(74,984)
Total nonoperating revenue (expenses)	(73,435)	(73,435)
Income (loss) before contributions and transfers	(88,244)	(88,244)
Capital contributions	-	-
Transfers in (out)	-	-
Total contributions and transfers	-	-
Change in net position	(88,244)	(88,244)
Total net position, previously reported	18,683,162	18,683,162
Prior period adjustment (Note 3)	114,643	114,643
Net position, beginning as restated	18,797,805	18,797,805
Total net position, ending	\$ 18,709,561	\$ 18,709,561

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

Town of Burgaw, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Major Enterprise Fund Water and Sewer Fund	Total
Cash flows from operating activities:		
Cash received from customers	\$ 1,790,275	\$ 1,790,275
Cash paid to employees for services	(431,633)	(431,633)
Cash paid for goods and services	(772,314)	(772,314)
Customer deposits paid	(12,462)	(12,462)
Net cash provided (used) by operating activities	573,866	573,866
Cash flows from noncapital financing activities:		
Transfers	-	-
Net cash provided (used) by noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Issuance of new debt	1,306,397	1,306,397
Acquisition and construction of capital assets	(1,077,236)	(1,077,236)
Principal paid on bond maturities and note agreements	(509,076)	(509,076)
Interest and fees paid	(75,376)	(75,376)
Net cash provided (used) by capital and related financing activities	(355,291)	(355,291)
Cash flows from investing activities:		
Interest on investments	1,549	1,549
Net cash provided (used) by investing activities	1,549	1,549
Net increase in cash and cash equivalents	220,124	220,124
Cash and cash equivalents - beginning of year	2,402,743	2,402,743
Cash and cash equivalents - end of year	\$ 2,622,867	\$ 2,622,867
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (14,809)	\$ (14,809)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	495,953	495,953
Change in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	38,317	38,317
Increase in deferred outflows of resources	74,397	74,397
Increase in net pension liability	92,501	92,501
Decrease in deferred inflows of resources	(8,914)	(8,914)
Increase (decrease) in payables	(92,549)	(92,549)
Increase (decrease) in customer deposits	(12,462)	(12,462)
Increase (decrease) in accrued vacation pay	1,432	1,432
Total adjustments	588,675	588,675
Net cash provided (used) by operating activities	\$ 573,866	\$ 573,866

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

Notes to the Financial Statements

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Burgaw, North Carolina (“the Town”) 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 Burgaw 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 include all funds, account groups, agencies, boards, commissions, and its component unit, a legally separate entity for which the Town is financially accountable, that are controlled by or are financially independent upon the Town. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that is legally separate from the Town.

Component unit	Method	Criteria for Inclusion	Separate Financial Statement
Burgaw TDA	Discrete	The members of the TDA Board’s governing are appointed by the Town	Town of Burgaw Finance 19 N. Walker Street Burgaw, NC 28425

B - Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – government and proprietary – are presented. The emphasis of the 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 the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

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. Primary expenditures are for public safety, general governmental services, and street maintenance.

Osgood Canal Greenway - This Capital Project Fund accounts for construction of sidewalks.

The Town reports the following non-major governmental funds:

Home Programs Fund - This Special Revenue Fund accounts for home funds.

The Town reports the following major enterprise fund:

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

Water Distribution System Rehabilitation Project Fund - This Capital Project Fund is used to account for the Town's replacement of approximately 7,200 LF of water main, a new emergency generator at a well site, and the conversion of the Town's meter system to an AMI system.

Stormwater Mitigation Project Fund - This Capital Project Fund is used to account for the Town's infrastructure problems in critical areas around Pender Memorial Hospital.

C - Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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 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 taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2016, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2016 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Burgaw because the tax is levied by Cumberland County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues. Grant revenue that is unearned at year-end is recorded as deferred revenue.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and Capital Projects Funds. The Enterprise Fund projects are consolidated with their respective operating funds for reporting purposes. The Fleet Maintenance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer up to 10 percent of any department's appropriation to any other department within the same fund. Any interfund transfer must be approved by the governing board. 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.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town of Burgaw's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Current deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Burgaw's Restricted Cash

Business-type activities:

Water and Sewer Fund

	Customer deposits	\$	112,899
Total business-type activities		\$	<u>112,899</u>
Total restricted cash		\$	<u><u>112,899</u></u>

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. 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 revenue is reported net of such discounts.

5. Allowance 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 Town's General Fund and Enterprise Fund inventories consist of expendable supplies that are recorded as expenditures when purchased. The Town has no prepaid items.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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 Life by Percentage</u>
Infrastructure	2%
Buildings	5%
Furniture and equipment	20%
Maintenance and construction Equipment	20%
Medium and Heavy Motor Vehicles	20%
Automobiles and Light Trucks	20%

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

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense is recorded 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 designed as a current liability in the government-wide financial statements.

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

11. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

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

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

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

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

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

Committed for Economic Development - portion of fund balance assigned by the board for economic development

Committed for Fire Department Equipment - portion of fund balance assigned by board for Fire Department capital outlay in future years.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

The Town of Burgaw has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

The Town of Burgaw has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Material Violations of Finance-Related Legal and Contractual provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual violations

None.

B - Deficit Fund Balance or Net Position of Individual funds

None.

C - Excess of Expenditures over Appropriations

None.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's and TDA's agents in this unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's and TDA's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town and TDA or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and TDA 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 and TDA has no policy regarding custodial 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 and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$5,271,553 and a bank balance of \$6,502,018. Federal Deposit Insurance covered the bank balance of the Town.

At June 30, 2017 the carrying amount of deposits for Burgaw TDA was \$27,078. All of these amounts were covered by federal depository insurance.

2. Investments

At June 30, 2017, the Town had \$1,170,557 invested in North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no credit policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 3,458
Total General Fund	\$ 3,458
Enterprise Fund:	
Water and Sewer Fund - accounts receivable	\$ 21,038
Total Enterprise Fund	\$ 21,038
Total	\$ 24,496

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

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

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 556,528	\$ -	\$ -	\$ 556,528
Total capital assets not being depreciated	556,528	-	-	556,528
Capital assets being depreciated:				
Buildings and improvements	3,032,660	220,305	-	3,252,965
Equipment and vehicles	3,514,137	121,325	-	3,635,462
Infrastructure	1,169,391	189,088	-	1,358,479
Total capital assets being depreciated:	7,716,188	530,718	-	8,246,906
Less accumulated depreciation for:				
Buildings and improvements	1,561,368	67,861	-	1,629,229
Equipment and vehicles	2,964,045	134,813	-	3,098,858
Infrastructure	329,423	63,566	-	392,989
Total accumulated depreciation	4,854,836	266,240	-	5,121,076
Total capital assets being depreciated, net	2,861,352			3,125,830
Governmental activities capital assets, net	\$ 3,417,880			\$ 3,682,358

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

General government	\$ 34,218
Public safety	139,167
Transportation	26,014
Cultural and recreational	66,841
Total depreciation expense	<u>\$ 266,240</u>

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

Business-type activities:

Water and sewer fund:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 60,861	\$ -	\$ -	\$ 60,861
Construction in progress	2,257,793	1,077,236	(1,919,378)	1,415,651
Total capital assets not being depreciated	<u>2,318,654</u>	<u>1,077,236</u>	<u>(1,919,378)</u>	<u>1,476,512</u>
Capital assets being depreciated:				
Water and sewer system	21,593,357	1,919,378	-	23,512,735
Vehicles	115,569	-	-	115,569
Total capital assets being depreciated:	<u>21,708,926</u>	<u>1,919,378</u>	<u>-</u>	<u>23,628,304</u>
Less accumulated depreciation for:				
Water and sewer system	5,161,374	486,321	-	5,647,695
Vehicles	77,038	9,632	-	86,670
Total accumulated depreciation	<u>5,238,412</u>	<u>495,953</u>	<u>-</u>	<u>5,734,365</u>
Total capital assets being depreciated, net	<u>16,470,514</u>			<u>17,893,939</u>
Water and sewer fund capital assets, net	<u>\$ 18,789,168</u>			<u>\$ 19,370,451</u>

During the fiscal year ended June 30, 2017, the Town determined that construction in progress at July 1, 2016 was overstated by \$69,819 in error in the Water and Sewer Capital Project Fund. The net effect of the adjustment decreased construction in progress at July 1, 2016 by \$69,519. See Note 3-F for additional information.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Burgaw 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 Burgaw's contractually required contribution rate for the year ended June 30, 2017, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, 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 Burgaw were \$109,667 for the year ended June 30, 2017.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2017, the Town reported a liability of \$575,152 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.02710%, which was a decrease of 0.00200% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense (revenue) of \$153,730. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,806	\$ 20,154
Changes of assumptions	39,393	-
Net difference between projected and actual earnings on pension plan investments	317,987	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,654	17,411
Town contributions subsequent to the measurement date	109,667	-
Total	\$ 492,507	\$ 37,565

\$109,667 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:		
2018	\$	53,693
2019		53,670
2020		146,247
2021		91,663
2022		-
Thereafter		-

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent net of pension plan investment expense, including inflation

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,365,106	\$ 575,152	\$ (84,675)

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.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

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

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiveing benefits	-
Active plan membrs	15
Total	17

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent	
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor	
Discount rate	3.86 percent	

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

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

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$27,141 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$261,199. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$24,141.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	4,865
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 4,865

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	979
2019		979
2020		979
2021		979
2022		949
Thereafter		-

The Town paid no benefits or administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. *Contributions (continued)*

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of .71 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(2.86%)	Discount rate	(4.86%)
		(3.86%)	
Total pension liability	\$ 282,004	\$ 261,199	\$ 479,402
			2017
Beginning balance			\$ 269,698
Service Cost			15,342
Interest on the total pension liability			9,144
Changes of benefit terms			-
Differences between expected and actual experience in the measurement of the total pension liability			-
Changes of assumptions or other inputs			(5,844)
Benefit payments			(27,141)
Other changes			-
Ending balance of the total pension liability			\$ 261,199

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

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

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$73,431, which consisted of \$56,871 from the Town and \$16,560 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Burgaw, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$13,900,000 to the plan.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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 the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 10,806
Changes of assumptions	39,393
Net difference between projected and actual earnings on pension plan investments	317,987
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,654
Town contributions subsequent to the measurement date	109,667
Total	\$ 492,507

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 31,117
Changes in assumptions	4,865	-
Differences between expected and actual experience	20,154	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,411	-
Total	\$ 42,430	\$ 31,117

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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. Through a commercial carrier the town has workers' compensation coverage in the amount of \$500,000 per occurrence. The Town carries commercial employee health coverage for unlimited lifetime maximum limit.

The Town carries commercial coverage for all other risks of loss. Through commercial carriers, the Town has property, general liability, and auto liability of \$2 million, \$3 million, and \$1 million, respectively. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$100,000.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the town is in an area of the State that has been mapped and designated a "A" are (an area close to a river lake or stream) by Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP.

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.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. Long-Term Obligations

a. Installment Purchase

Governmental Activities:

On August 22, 2006 the Town entered into an installment/purchase contract for the purchase of a 2006 Pierce Fire Truck. The contract will be paid in annual installments of \$51,841 including interest at 2.41% for 10 years. Original amount financed \$610,000. The balance at June 30, 2017 was \$241,471.

On May 26, 2010 the Town entered into an installment/purchase contract for the purchase of a 2001 Pierce Fire Truck. The contract will be paid in annual installments of \$10,538 including interest at 4.00% for 15 years. Original amount financed \$130,000. This note was refinanced with BB&T for 13 years at 2.69%. Payments are \$10,538 including interest. The balance at June 30, 2017 was \$82,481.

On December 1, 2015 the Town entered into an installment/purchase contract for the purchase of a 2016 Freightliner fire Truck. The contract will be paid in quarterly installments of \$6,000 including interest at 0.00% for 10 years. The balance at June 30, 2017 was \$204,000.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchase (continued)

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 78,341	\$ 8,038
2019	79,674	6,705
2020	81,039	5,340
2021	82,439	3,940
2022	83,875	2,507
2023-2027	122,584	2,591
Totals	\$ 527,952	\$ 29,121

b. Revolving Loan

\$1,306,397 State Revolving Loan issued on June 27, 2017; interest at 0.00% due May 1, 2037. Payments \$65,310 beginning on May 1, 2018 to May 1, 2037. The balance at June 30, 2017 was \$1,306,397.

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 65,320	\$ -
2019	65,320	-
2020	65,320	-
2021	65,320	-
2022	65,320	-
2023-2027	326,600	-
2028-2032	326,600	-
2033-2037	326,597	-
Totals	\$ 1,306,397	\$ -

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

c. Revenue Bonds

\$2,000,000 Water Sewer Revenue Series 201 issued on November 28, 2012; interest at 2.75% due June 1, 2015. Payments ranging from \$29,000 on June 1 2015 to \$81,000 on June 1, 2052. The balance at June 30, 2017 was \$1,878,000.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year ending June 30	Principal	Interest
2018	\$ 33,000	\$ 51,645
2019	34,000	50,645
2020	34,000	60,645
2021	35,000	48,868
2022	190,000	224,125
2023-2027	220,000	195,525
2028-2032	252,000	162,718
2033-2037	289,000	125,070
2038-2042	330,000	82,088
2043-2047	380,000	30,588
2048-2052	81,000	228
Totals	\$ 1,878,000	\$ 1,032,145

The Town has been in compliance with all covenants in Section 3.04 of the Bond Order, authorizing the issuance of the Sewer Revenue bonds. The debt service coverage ratio calculation for the year ended June 30, 2017, is as follows:

Operating revenues	\$ 1,751,958
Operating expenses*	1,270,814
Operating income	481,144
Nonoperating revenues (expenses)**	1,549
Income available for debt service	482,693
Debt service principal and interest paid (Revenue bond only)	\$ 84,645
Debt service coverage ratio	570%

* This does not include the depreciation expenses of \$495,953.

** This does not include revenue bond interest paid of \$74,984.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

d. Changes in Long-Term Liabilities

Governmental activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Installment purchase	\$ 738,306	\$ -	\$ (210,354)	\$ 527,952	\$ 78,341
Compensated absences	72,445	28,817	(30,925)	70,337	30,925
Net pension liability (LGERS)	83,833	370,004	-	453,837	-
Net pension obligation (LEO)	65,936	195,263	-	261,199	-
Governmental activity long-term liabilities	<u>\$ 960,520</u>	<u>\$ 594,084</u>	<u>\$ (241,279)</u>	<u>\$ 1,313,325</u>	<u>\$ 109,266</u>
Business-type activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Water and Sewer Fund:					
Revenue bonds	\$ 1,910,000	\$ -	\$ (32,000)	\$ 1,878,000	\$ 33,000
General obligation bonds	477,076	-	(477,076)	-	-
Revolving loan	-	1,306,397	-	1,306,397	65,320
Compensated absences	8,013	4,189	(2,757)	9,445	2,757
Net pension liability (LGERS)	28,814	92,501	-	121,315	-
Business-type activity long-term liabilities	<u>\$ 2,423,903</u>	<u>\$ 1,403,087</u>	<u>\$ (511,833)</u>	<u>\$ 3,315,157</u>	<u>\$ 101,077</u>

At June 30, 2017, the Town of Burgaw had a legal debt margin of \$23,595,300.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

Transfers from/to other funds at June 30, 2017, consist of the following:

	Amount
From the Osgood Canal Fund to the General Fund	\$ 35,570
Total	\$ 35,570

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

During the 2017 fiscal year, the Town made a one-time transfer from the Osgood Canal Fund to the General Fund to close the Osgood Canal Fund per board authorization.

D - Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets	\$ 3,682,358	\$ 19,370,451
less: long-term debt	(527,952)	(3,184,397)
Net investment in capital asset	\$ 3,154,406	\$ 16,186,054

E - 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	\$ 3,946,683
Less:	
Cemetery Trust	153,879
Fire Department Equipment	50,185
Stabilization by State Statute	131,592
Reserve requirement	42,130
Remaining fund balance	\$ 3,568,897

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no outstanding encumbrances at June 30, 2017.

Town of Burgaw, North Carolina
Notes to the Financial Statements
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

F - Prior Period Adjustments and Restatements

During the fiscal year ended June 30, 2017, the Town determined that due to/due from accounts at July 1, 2016 were understated by \$114,643 in error in the Water and Sewer Fund. Therefore, an adjustment to the beginning fund balance in the Water and Sewer Fund has been recorded in the amount of \$114,643. The net effect of the adjustment increased fund balance by \$114,643.

During the fiscal year ended June 30, 2017, the Town determined that due to/due from accounts at July 1, 2016 were overstated by \$236,062 in error in the General Fund. Therefore, an adjustment to the beginning fund balance in the General Fund has been recorded in the amount of \$236,062. The net effect of the adjustments decreased fund balance by \$236,062.

During the fiscal year ended June 30, 2017, the Town determined that construction in progress at July 1, 2016 was overstated by \$69,819 in error in the Water and Sewer Capital Project Fund. The Town had two Water and Sewer Capital Project Funds in the prior fiscal year, including one fund that closed at June 30, 2016. The net effect of the adjustment decreased fund balance and construction in progress by \$69,819.

During the fiscal year ended June 30, 2017, the Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result of this implementation, net position for the governmental activities decreased \$175,987. See Note 6 for additional information.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 11, 2018, which is the date the financial statements were available to be issued. There are no subsequent events that would have a material effect on the financial statements.

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016.) As a result, net position for the governmental activities decreased \$175,987.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Burgaw, North Carolina
Town of Burgaw's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Burgaw's proportion of the net pension liability (asset) (%)	0.2710%	0.0251%	0.0028%	2.4600%
Burgaw's proportion of the net pension liability (asset) (\$)	\$ 575,153	\$ 112,647	\$ (167,606)	\$ 296,524
Burgaw's covered-employee payroll	\$ 1,464,643	\$ 1,476,434	\$ 1,341,195	\$ 1,393,619
Burgaw's proportionate share of the net pension liability (asset) as percentage of its covered-employee payroll	39.27%	7.63%	-12.50%	21.28%
Plan fiduciary net position as a percentage* of the total pension liability	91.47	98.09	102.164	94.35%

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

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

Town of Burgaw, North Carolina
Town of Burgaw's Contributions
Required Supplementary Information
Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 99,519	\$ 100,553	\$ 96,220	\$ 99,470
Contributions in relation to the contractually required contribution	99,519	100,553	96,220	99,470
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Burgaw's covered-employee payroll	\$ 1,476,434	\$ 1,341,195	\$ 1,393,619	\$ 1,408,429
Contributions as a percentage of covered-employee payroll	6.74%	7.50%	6.90%	7.06%

Town of Burgaw, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 269,698
Service Cost	15,342
Interest on the total pension liability	9,144
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(5,844)
Benefit payments	(27,141)
Other changes	-
Ending balance of the total pension liability	\$ 261,199

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

Town of Burgaw, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 261,199
Covered payroll	621,153
Total pension liability as a percentage of covered payroll	42.05%

Notes to the schedules:

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

Individual Fund Statements and Schedules

General Fund

Town of Burgaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,411,575	\$
Penalties and interest		4,953	-
Total	<u>1,321,232</u>	<u>1,416,528</u>	<u>95,296</u>
Unrestricted intergovernmental:			
Utility sales tax		191,956	
Telecommunication sales tax		42,645	
Piped natural gas sales tax		3,402	
Local option sales taxes		958,474	
Video franchise fee		22,487	
Beer and wine tax		18,331	
Total	<u>1,212,420</u>	<u>1,237,295</u>	<u>24,875</u>
Restricted intergovernmental:			
Powell bill allocation		111,640	
Solid waste disposal tax		3,364	
Other grants		7,500	
Total	<u>122,000</u>	<u>122,504</u>	<u>504</u>
Permits and fees:			
Permits and inspection fees		31,535	
Zoning permits and fees		4,943	
Total	<u>24,800</u>	<u>36,478</u>	<u>11,678</u>
Sales and services:			
Refuse collection fees		264,496	
Depot sales		24,133	
Fire contracts		350,655	
Total	<u>630,832</u>	<u>639,284</u>	<u>8,452</u>
Investment earnings	<u>1,722</u>	<u>7,980</u>	<u>6,258</u>
Miscellaneous:			
ABC profit distribution		57,516	
Rents		18,555	
Donations		20,527	
Grants		172,724	
Other operating		6,982	
Total	<u>123,827</u>	<u>276,304</u>	<u>152,477</u>
Total revenues	<u>\$ 3,436,833</u>	<u>\$ 3,736,373</u>	<u>\$ 293,282</u>

Town of Burgaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Town commissioners fees	\$	\$ 33,171	\$
Professional services		34,814	
Non departmental		241,046	
Capital outlay		238,113	
Other operating expenditures		6,278	
Total	<u>740,892</u>	<u>553,422</u>	<u>187,470</u>
Administration:			
Salaries and employee benefits		288,497	
Other operating expenditures		52,976	
Total	<u>352,262</u>	<u>341,473</u>	<u>10,789</u>
Total general government	<u>1,093,154</u>	<u>894,895</u>	<u>198,259</u>
Public safety:			
Police:			
Salaries and benefits		716,416	
Other operating expenditures		111,446	
Capital outlay		57,529	
Total	<u>919,264</u>	<u>885,391</u>	<u>33,873</u>
Fire:			
Salaries and employee benefits		243,870	
Other operating expenditures		121,758	
Capital outlay		54,254	
Total	<u>439,967</u>	<u>419,882</u>	<u>20,085</u>
Inspections:			
Salaries and employee benefits		104,511	
Other operating expenditures		17,368	
Capital outlay		-	
Total	<u>138,624</u>	<u>121,879</u>	<u>16,745</u>
Total public safety:	<u>1,497,855</u>	<u>1,427,152</u>	<u>70,703</u>
Transportation:			
Salaries and employee benefits		151,427	
Contracted services		3,396	
Other operating expenditures		103,287	
Capital outlay		132,888	
Total	<u>\$ 424,490</u>	<u>\$ 390,998</u>	<u>\$ 33,492</u>

Town of Burgaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	\$	\$ 28,649	\$
Contracted services		237,754	
Other operating expenditures		22,130	
Capital outlay		47,700	
Total	<u>353,477</u>	<u>336,233</u>	<u>17,244</u>
Cemetery:			
Salaries and employee benefits		36,035	
Other operating expenditures		2,890	
Total	<u>42,560</u>	<u>38,925</u>	<u>3,635</u>
Total environmental protection:	<u>396,037</u>	<u>375,158</u>	<u>20,879</u>
Central services:			
Garage:			
Salaries and employee benefits		47,679	
Other operating expenditures		16,363	
Capital outlay		-	
Total	<u>73,157</u>	<u>64,042</u>	<u>9,115</u>
Culture and recreation:			
Christmas lights/parade		12,434	
Blueberry festival		4,040	
Municipal Park-Operations		61,130	
Total	<u>184,755</u>	<u>77,604</u>	<u>107,151</u>
Economic development:			
Wilmington business		13,000	
Community house		2,383	
Incubator kitchen		13,173	
Depot		20,666	
Planning and zoning		84,150	
Capital outlay		6,795	
Total	<u>\$ 187,253</u>	<u>\$ 140,167</u>	<u>\$ 47,086</u>

Town of Burgaw, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	\$	210,354	\$
Interest and fees		14,012	
Total	<u>224,367</u>	<u>224,366</u>	<u>1</u>
Total expenditures	<u>4,081,068</u>	<u>3,594,382</u>	<u>486,686</u>
Revenues over (under) expenditures	<u>(644,235)</u>	<u>141,991</u>	<u>786,226</u>
Other financing sources (uses):			
Transfers to other funds			
Osgood Canal Greenway Fund		35,570	
Insurance recovery		21,139	
Proceeds of installment purchases		-	
Total	<u>17,872</u>	<u>56,709</u>	<u>38,837</u>
Fund balance appropriated	<u>626,363</u>	-	<u>626,363</u>
Net change in fund balance	<u>\$ -</u>	<u>198,700</u>	<u>\$ 825,063</u>
Fund balance, beginning as previously reported		3,984,045	
Prior period adjustment (Note 3)		<u>(236,062)</u>	
Fund balance, beginning as restated		<u>3,747,983</u>	
Fund balances, ending		<u>\$ 3,946,683</u>	

Capital Projects Funds

Town of Burgaw, North Carolina
Capital Project Fund - Osgood Canal Greenway
Schedule of Revenues and Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and For the Year Ending June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Sewer projects:					
Restricted intergovernmental:					
NC Parks and Recs Trust Fund	\$ 423,504	\$ 472,289	\$ -	\$ 472,289	\$ 48,785
Town match	46,700	46,729	-	46,729	29
Other	-	8,100	-	8,100	8,100
Interest income	-	1	-	1	1
Total revenues	<u>470,204</u>	<u>527,119</u>	<u>-</u>	<u>527,119</u>	<u>56,915</u>
Expenditures:					
Current:					
Economic and physical develop.					
Construction	813,996	641,581.00	-	641,581	172,415
Contingency	33,012	36,328	-	36,328	(3,316)
Total expenditures	<u>847,008</u>	<u>677,909</u>	<u>-</u>	<u>677,909</u>	<u>169,099</u>
Revenues over (under) expenditures	<u>(376,804)</u>	<u>(150,790)</u>	<u>-</u>	<u>(150,790)</u>	<u>226,014</u>
Other financing sources:					
Transfer from General Fund	376,804	186,360	(35,570)	150,790	(226,014)
Total other sources (uses)	<u>376,804</u>	<u>186,360</u>	<u>(35,570)</u>	<u>150,790</u>	<u>(226,014)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,570</u>	<u>(35,570)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>35,570</u>		
Fund balance, ending			<u>\$ -</u>		

Nonmajor Governmental Funds

Town of Burgaw, North Carolina
Combining Balance sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Home Programs Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>		
Cash and cash equivalents	\$ 6,689	\$ 6,689
Accounts receivable	-	-
Total assets	\$ 6,689	\$ 6,689
 <u>Liabilities and fund balances:</u>		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
 <u>Fund balances:</u>		
Committed for economic development	6,689	6,689
Total liabilities and fund balances	\$ 6,689	\$ 6,689

Town of Burgaw, North Carolina
Combining Statement of Revenues Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Home Programs Fund	Total Nonmajor Governmental Funds
Revenues:		
Restricted intergovernmental	\$ -	\$ -
Interest and late fees	-	-
Total revenues	-	-
Expenditures:		
Current:		
Economic development	-	-
Revenues over expenditures	-	-
Fund balance, beginning	6,689	6,689
Fund balance, ending	\$ 6,689	\$ 6,689

Special Revenue Funds

Town of Burgaw, North Carolina
Special Revenue Fund - Home Programs Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances
Budget and Actual (Non - GAAP)
From Inception and for the Year Ending June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
HUD-Home Program	\$ 285,839	\$ 286,925	\$ -	\$ 286,925	\$ 1,086
NC Housing Finance Agency	221,511	129,834	-	129,834	(91,677)
Town match	40,000	36,979	-	36,979	(3,021)
Program income	-	51,650	-	51,650	51,650
Interest and late fees	-	1,085	-	1,085	1,085
Total revenues	<u>547,350</u>	<u>506,473</u>	<u>-</u>	<u>506,473</u>	<u>(40,877)</u>
Expenditures:					
Current:					
Economic and physical development:					
Administration	91,111	80,676	-	80,676	10,435
Rehabilitation	456,239	392,683	-	392,683	63,556
Revolving loan	-	6,425	-	6,425	(6,425)
Total expenditures	<u>547,350</u>	<u>479,784</u>	<u>-</u>	<u>479,784</u>	<u>67,566</u>
Transfers:					
Transfer to CDBG Grant Fund	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 6,689</u>	<u>-</u>	<u>\$ 6,689</u>	<u>\$ 6,689</u>
Fund balance, beginning			<u>6,689</u>		
Fund balance, ending			<u>\$ 6,689</u>		

Enterprise Funds

Town of Burgaw, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ending June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services	\$	\$ 1,718,949	\$
Impact fees		12,062	
Water and sewer taps		8,630	
Other operating revenues		12,317	
Total	<u>1,679,465</u>	<u>1,751,958</u>	<u>72,493</u>
Nonoperating revenues:			
Interest income		1,549	-
Total	<u>60</u>	<u>1,549</u>	<u>1,489</u>
Total revenues	<u>1,679,525</u>	<u>1,753,507</u>	<u>73,982</u>
Expenditures:			
Collection and treatment:			
Salaries and employee benefits		199,807	
Utilities		47,436	
Contracted services		6,294	
Maintenance and repairs		22,951	
Treatment charges		401,922	
Other operating expenditures		138,486	
Departmental supplies and materials		22,492	
Total	<u>1,032,992</u>	<u>839,388</u>	<u>193,604</u>
Water distribution:			
Collection and treatment:			
Salaries and employee benefits		231,926	
Utilities		23,438	
Contracted services		54,245	
Maintenance and repairs		12,675	
Other operating expenditures		59,605	
Departmental supplies and materials		38,915	
Total	<u>\$ 554,808</u>	<u>\$ 420,804</u>	<u>\$ 134,004</u>

Town of Burgaw, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non - GAAP) (continued)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal payments	\$	\$ 509,076	\$
Interest and fees		75,376	
Total	653,543	584,452	69,091
Total expenditures	2,241,343	1,844,644	396,699
Other financing sources (uses):			
Capital contributions		-	
Appropriated fund balance		-	
Transfers from general fund		-	
Total	561,818	-	(561,818)
Revenues and other financing sources over expenditures and other uses	\$ -	(91,137)	\$ (91,137)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		509,076	
Change in accrued vacation pay		(1,432)	
Depreciation		(495,953)	
Change in accrued interest		392	
Increase in net pension liability		(92,501)	
Increase in deferred outflows - pensions		74,397	
Decrease in deferred inflows - pensions		8,914	
Capital outlay		-	
Total reconciling items		2,893	
Change in net position		\$ (88,244)	

Town of Burgaw, North Carolina
Water Distribution System Rehabilitation Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues-Sewer projects:					
Restricted intergovernmental:					
NC Clean water trust fund	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Engineering	73,500	-	24,500	24,500	49,000
Legal and administration	27,094	-	-	-	27,094
Equipment	407,132	-	-	-	407,132
Contingency	61,011	-	54,639	54,639	6,372
Construction	813,080	338,415	933,472	1,271,887	(458,807)
Total expenditures	<u>1,381,817</u>	<u>338,415</u>	<u>1,012,611</u>	<u>1,351,026</u>	<u>30,791</u>
Revenues over (under) expenditures	<u>(1,381,817)</u>	<u>(338,415)</u>	<u>(1,012,611)</u>	<u>(1,351,026)</u>	<u>30,791</u>
Other financing sources:					
Transfer to/from water & sewer	-	-	-	-	-
Clean water SRF- ARRA Loan	1,381,817	-	1,306,397	1,306,397	75,420
Total other sources (uses)	<u>1,381,817</u>	<u>-</u>	<u>1,306,397</u>	<u>1,306,397</u>	<u>75,420</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (338,415)</u>	<u>\$ 293,786</u>	<u>\$ (44,629)</u>	<u>\$ 106,211</u>

Town of Burgaw, North Carolina
Stormwater Mitigation Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues-Sewer projects:					
Restricted intergovernmental:					
Golden LEAF Foundation	\$ 478,000	\$ -	\$ -	\$ -	\$ (478,000)
Dept of Environmental Quality Grant	347,000	-	-	-	(347,000)
Pender Memorial Hospital	132,100	-	-	-	(132,100)
Total revenues	<u>957,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(957,100)</u>
Expenditures:					
Engineering	214,200	-	64,625	64,625	149,575
Legal and administration	17,510	-	-	-	17,510
Contingency	128,730	-	-	-	128,730
Construction	643,660	-	-	-	643,660
Total expenditures	<u>1,004,100</u>	<u>-</u>	<u>64,625</u>	<u>64,625</u>	<u>939,475</u>
Revenues over (under) expenditures	<u>(47,000)</u>	<u>-</u>	<u>(64,625)</u>	<u>(64,625)</u>	<u>(17,625)</u>
Other financing sources:					
Transfers from other funds	47,000	-	-	-	(47,000)
Total other sources (uses)	<u>47,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,625)</u>	<u>\$ (64,625)</u>	<u>\$ (64,625)</u>

Other Schedules

This section contains additional information on property taxes.

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

Town of Burgaw, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2017</u>
2016-2017	\$ -	\$ 1,415,718	\$ (1,394,196)	\$ 21,522
2015-2016	28,428	-	(22,011)	6,417
2014-2015	5,472	-	(1,685)	3,787
2013-2014	2,424	-	(933)	1,491
2012-2013	845	-	(217)	628
2011-2012	394	-	(99)	295
2010-2011	287	-	(88)	199
2009-2010	400	-	(113)	287
2008-2009	107	-	(158)	(51)
2007-2008	71	-	(71)	-
	<u>\$ 38,428</u>	<u>\$ 1,415,718</u>	<u>\$ (1,419,571)</u>	<u>\$ 34,575</u>

Less: allowance for uncollectible accounts - General Fund (3,458)

Ad valorem taxes receivable - net \$ 31,117

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 1,416,528
Reconciling items:	
Interest collected	3,039
Other adjustments	4
Subtotal	<u>3,043</u>
Total collections and credits	<u>\$ 1,419,571</u>

Town of Burgaw, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2017

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 295,110,000	0.48	\$ 1,416,528	\$ 1,244,599	\$ 171,929
Releases	<u>(168,750)</u>	0.48	<u>(810)</u>	<u>(810)</u>	<u>-</u>
Total property valuation	<u><u>\$ 294,941,250</u></u>				
Net levy			1,415,718	1,243,789	171,929
Uncollected taxes at June 30, 2017			<u>(21,522)</u>	<u>(21,522)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 1,394,196</u></u>	<u><u>\$ 1,222,267</u></u>	<u><u>\$ 171,929</u></u>
Current levy collection percentage			<u><u>98.48%</u></u>	<u><u>98.27%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying basic financial statements of Town of Burgaw, as of and for the fiscal year then ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Burgaw's basic financial statements, and have issued our report thereon dated January 11, 2018. The financial statements of Burgaw TDA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider significant deficiencies such as item 2017-001.

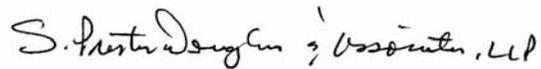
Town of Burgaw
Burgaw, North Carolina
Page Two

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "S. Peter Douglas, CPA".

Lumberton, North Carolina
January 11, 2018

S. Preston Douglas & Associates, LLP

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N. C. Association of CPAs

Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance; In Accordance with OMB Uniform Guidance.

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Town of Burgaw's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Burgaw's major federal programs for the year ended June 30, 2017. Town of Burgaw's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

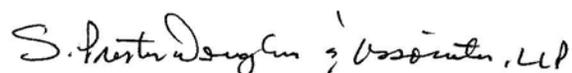
Report on Internal Control over Compliance

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

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

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

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



Lumberton, North Carolina
January 11, 2018

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

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u> yes _____ none reported
• Noncompliance material to financial statements	_____ yes <u> X </u> no

Federal Awards

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Internal control over major federal programs:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
• Noncompliance material to federal awards	_____ yes <u> X </u> no
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u> X </u> no

Identification of major federal programs:

CFDA Numbers

66.468

Names of Federal Program or Cluster

Capitalization Grants for Drinking Water State Revolving Funds

Dollar Threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Town of Burgaw, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2017

Section II. Financial Statement Findings

Finding 2017 – 001 SIGNIFICANT DEFICIENCY

Criteria: Guidance from the AICPA suggests a material prior period adjustment should be considered a significant deficiency.

Condition: Beginning fund balances and net position at July 1, 2016 were materially understated. Details of the prior period adjustments are shown on page 46.

Effect: June 30, 2016 audited financial statements presented balances in net position that were materially overstated.

Cause: The Finance Director did not adequately review the June 30, 2016 audited financial statements before issuance.

Repeat Finding: There was no indication this matter is a repeat finding.

Recommendation: We recommend that the Finance Director perform a careful review of the audit report before issuance.

Views of responsible officials and planned corrective actions:

Town officials understand the prior period adjustment corrects deficiencies from the prior fiscal year and agree with the finding. The current Finance Director has taken action to ensure the same mistakes are not made in future fiscal years.

Section III. Federal Award Findings and Questioned Costs

None reported

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

Section II. Financial Statement Findings

Significant Deficiency

2017 – 001 Prior Period Adjustment

Name of contact person: Wendy Pope, Finance Director

Corrective Action: The audited financial statements will be carefully reviewed before issuance to mitigate any future prior period adjustments.

Proposed Completion Date: The Finance Director will implement the above procedure immediately.

Section III. Federal Award Findings and Questioned Costs

None reported

Town of Burgaw, North Carolina
Prior Year Findings
For the Year Ended June 30, 2017

There were no prior year findings.

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

Grantor/Pass - through Grant/Program Title	Federal CFDA Number	Award number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Cash Assistance:				
Major Programs				
<u>U.S. Environment Protection Agency</u>				
Passed through NC Dept. of Environmental Quality				
Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 1,012,611	\$ -
 <u>U.S. Department of Homeland Security</u>				
Passed through NC Dept. of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		78,384	-
Total Major Programs			1,090,995	
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill	38570		-	236,491
Total federal and State awards			\$ 1,090,995	\$ 236,491

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

The schedule of expenditures of federal and State awards includes the federal and State grant activity of Town of Burgaw, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Town of Burgaw, North Carolina, has elected not to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.