

**DRAFT**

**Town of Snow Hill**

**Financial Statements**

**Snow Hill, North Carolina**

**For the Fiscal Year Ended June 30, 2017**

**Board of Commissioners**

Dennis K. Liles, Mayor  
Lorraine Washington, Pro-Tempore  
Donnell Hagans, Commissioner  
Geraldine E. Shackleford, Commissioner  
Robert L. (Bobby) Taylor, Commissioner  
Rosa Wilkes, Commissioner

**Administrative Officers**

Cathy Webb, Town Clerk/Finance Officer  
Dana D. Hill, Town Administrator/Public Works Director  
John Rea, Chief of Police

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June 30, 2017**

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## **Financial Section**

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### **Independent Auditor's Report**

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snow Hill, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinions.

**Member American Institute of Certified Public Accountants**  
**Member North Carolina Association of Certified Public Accountants**

## **Opinions**

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snow Hill, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Law Enforcement's Officers' Special Separation Allowance schedules of the 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 required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements, and other knowledge I obtained during my audit of the basic information because the limited procedures do not provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Snow Hill, North Carolina. The introductory information, combining and individual non major fund statements, are presented for additional analysis and are notes required part of the basic financial statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and statistical sections have not been subjected to the auditing procedures applied in the audit of financial statements, and accordingly, I do not express an opinion or provide assurance on them.

*Andrew Harris, CPA PLLC*

*Farmville, North Carolina  
November 30, 2017*

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



**Town of Snow Hill**  
**Management Discussion and Analysis**  
**June 30, 2017**

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

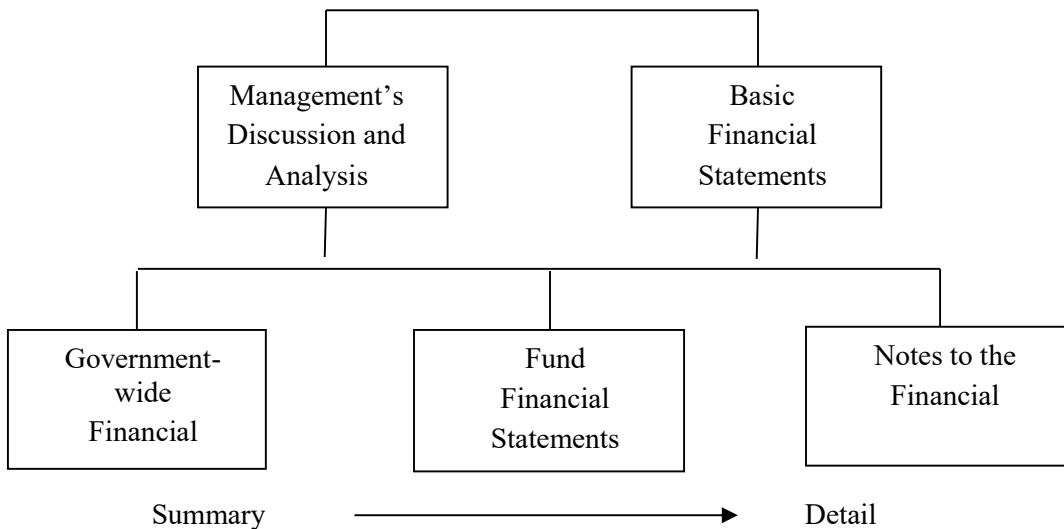
**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Snow Hill exceeded its liabilities and deferred inflows or resources at the close of the fiscal year by \$8,849,182 (net position).
- The government’s total net position decreased by \$93,585, primarily due to decreases in the Water-Sewer activities.
- At the close of the current fiscal year, the Town of Snow Hill’s General Fund reported an ending fund balances of \$1,123,742 with a net change of \$(17,986) in fund balance. Approximately 89.22 percent of this total amount, or \$978,266, is available for spending at the government’s discretion (unassigned fund balance), which represents approximately 84.98 percent of the total general fund expenditures for the current fiscal year.
- The Town of Snow Hill maintained its AAA bond rating for the 17<sup>th</sup> consecutive year.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**  
**Figure 1**



**Town of Snow Hill**  
**Management Discussion and Analysis**  
**June 30, 2017**

**Basic Financial Statements**

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

The next statements (Exhibit 3 through 9) 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 Basic Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, **Supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Snow Hill, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Snow Hill can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are

**Town of Snow Hill**  
**Management Discussion and Analysis**  
**June 30, 2017**

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

The Town of Snow Hill 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown as the end of the budgetary statement.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

**Independence 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 modification to Federal and State laws and Federal and State appropriations.

**Town of Snow Hill  
Management Discussion and Analysis  
June 30, 2017**

**Government-wide Financial Analysis  
Town of Snow Hill's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Current and other assets	\$ 1,202,232	\$ 1,228,828	\$ 1,286,453	\$ 1,298,393	\$ 2,488,685	\$ 2,527,221
Capital assets	1,724,417	1,704,610	5,921,225	6,135,284	7,645,642	7,839,894
Deferred outflows of resources	95,707	27,294	77,300	23,325	173,007	50,619
<b>Total Position</b>	<b>\$ 3,022,356</b>	<b>\$ 2,960,732</b>	<b>\$ 7,284,978</b>	<b>\$ 7,457,002</b>	<b>\$ 10,307,334</b>	<b>\$ 10,417,734</b>
Long-term liabilities	\$ 149,089	\$ 63,281	\$ 1,191,757	\$ 1,036,119	\$ 1,340,846	\$ 1,099,400
Other liabilities	107,948	110,500	221,448	227,755	329,396	338,255
Deferred inflows of resources	6,644	9,773	2,714	8,266	9,358	18,039
<b>Total Liabilities</b>	<b>\$ 263,681</b>	<b>\$ 183,554</b>	<b>\$ 1,415,919</b>	<b>\$ 1,272,140</b>	<b>\$ 1,679,600</b>	<b>\$ 1,455,694</b>
Net position:						
Invested in capital assets, net of related debt	\$ 1,679,745	\$ 1,638,349	\$ 4,901,005	\$ 4,996,030	\$ 6,580,750	\$ 6,634,379
Restricted	145,475	123,050	-	-	145,475	123,050
Unrestricted	933,455	1,015,779	1,189,502	1,194,832	2,122,957	2,210,611
<b>Total Net Position</b>	<b>\$ 2,758,675</b>	<b>\$ 2,777,178</b>	<b>\$ 6,090,507</b>	<b>\$ 6,190,862</b>	<b>\$ 8,849,182</b>	<b>\$ 8,968,040</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Snow Hill exceeded liabilities and deferred outflows as by \$8,849,182 as of June 30, 2017. The Town's net position decreased by \$93,585 for the fiscal year ended June 30, 2017. However, the largest portion of the Town's Net Position (74.97%) reflects the Town's investments in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Snow Hill uses these capital assets related debt still outstanding that was issued to acquire those items. The Town of Snow Hill uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town of Snow Hill's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Snow Hill's net position of \$145,475 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,122,957 is unrestricted.

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

**Governmental Activities**

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.56%, which is comparable to the statewide average of 96%.
- Continued cemetery lot sales due to additions to cemetery plots.

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**Management Discussion and Analysis**  
**June 30, 2017**

**Business-type Activities**

- Continued low cost of debt due to the Town's high bond rating.
- The Town has managed to decrease expenditures to better control the deficits realized in the Water/Sewer Fund.

**Town of Snow Hill's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Revenues:						
Program Revenues:						
Charges for services	\$ 208,859	\$ 214,190	\$ 1,092,382	\$ 993,565	\$ 1,301,241	\$ 1,207,755
Operating grants and contributions	130,518	132,810	-	-	130,518	132,810
Capital grants and contributions	-	-	-	167,669	-	167,669
General Revenues:						
Property taxes	360,179	391,421	-	-	360,179	391,421
Other taxes	7,460	7,389	-	-	7,460	7,389
Grants and contributions not restricted to specific programs	320,208	295,684	-	-	320,208	295,684
Other	54,101	145,825	11,265	7,926	65,366	153,751
<b>Total Revenues</b>	<b>\$ 1,081,325</b>	<b>\$ 1,187,319</b>	<b>\$ 1,103,647</b>	<b>\$ 1,169,160</b>	<b>\$ 2,184,972</b>	<b>\$ 2,356,479</b>
Expenses:						
General government	\$ 175,686	\$ 174,202	\$ -	\$ -	\$ 175,686	\$ 174,202
Public safety	362,280	322,702	-	-	362,280	322,702
Transportation	230,466	199,266	-	-	230,466	199,266
Cultural and recreation	126,358	126,781	-	-	126,358	126,781
Environmental Protection	219,913	220,569	-	-	219,913	220,569
Water and sewer	-	-	1,223,870	1,037,993	1,223,870	1,037,993
<b>Total Expenses</b>	<b>\$ 1,114,703</b>	<b>\$ 1,043,520</b>	<b>\$ 1,223,870</b>	<b>\$ 1,037,993</b>	<b>\$ 2,338,573</b>	<b>\$ 2,081,513</b>
Increase (Decrease) in Net Position Before Transfers	\$ (33,378)	\$ 143,799	\$ (120,223)	\$ 131,167	\$ (153,601)	\$ 274,966
Special item: Gain (loss) on insurance recovery	42,527	(180)	19,868	3,316	62,395	3,136
Increase (Decrease) in Net Position	\$ 9,149	\$ 143,619	\$ (100,355)	\$ 134,483	\$ (91,206)	\$ 278,102
Net position, July 1, previously reported	2,777,178	2,633,559	6,190,862	6,019,967	8,968,040	8,653,526
Restatement	(27,652)	-	-	36,412	(27,652)	36,412
Net position, July 1, restated	2,749,526	2,633,559	6,190,862	6,056,379	8,940,388	8,689,938
<b>Net Position, June 30</b>	<b>\$ 2,758,675</b>	<b>\$ 2,777,178</b>	<b>\$ 6,090,507</b>	<b>\$ 6,190,862</b>	<b>\$ 8,849,182</b>	<b>\$ 8,968,040</b>

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**Management Discussion and Analysis**  
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**Governmental Activities.** Governmental activities increased the Town's net position by \$9,149 thereby accounting for the small growth in net position of the Town of Snow Hill. Key elements of this increase are as follows:

- The Town capitalized \$110,246 of expenditures related to various capital asset purchases.

**Business-type Activities.** Business-type activities increased the Town of Snow Hill's net position by \$134,481.

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

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

**Governmental Funds.** The focus of the Town of Snow Hill's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Snow Hill's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Snow Hill. At the end of the current fiscal year the Town of Snow Hill's fund balanced available was \$978,266 while total fund balance reached \$1,123,742. The Town currently has an available fund balance of 84.98% percent of general fund expenditures, while total fund balance represents 97.61 percent of the same amount.

At June 30, 2017, the governmental fund of Town of Snow Hill reported a fund balance of \$1,141,730.

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

Revenues were more than the budgeted amounts primarily due to the Town failing to budget enough for Ad Valorem Taxes, Local Option Sales Taxes and Cemetery related sales. Expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town of Snow Hill'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 \$1,189,502. The total decrease in net position for the fund was \$100,355. Other factors concerning the finances of this fund have been addressed in the discussion of the Town of Snow Hill's business-type activity.

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

**Capital assets.** The Town of Snow Hill's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$7,630,745 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, office furniture, and vehicles.

**Town of Snow Hill**  
**Management Discussion and Analysis**  
**June 30, 2017**

**Town of Snow Hill's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Land	\$ 199,344	\$ 199,344	\$ 31,794	\$ 31,794	\$ 231,138	\$ 231,138
Construction in progress	-	-	-	-	-	-
Buildings	644,889	649,336	136,468	101,383	781,357	750,719
Equipment	70,529	92,018	53,009	65,595	123,538	157,613
Infrastructure	717,377	706,748	22,149	22,519	739,526	729,267
Vehicles	77,007	56,536	57,361	23,238	134,368	79,774
Furniture	376	628	-	-	376	628
Water/Sewer system	-	-	5,620,442	5,896,755	5,620,442	5,896,755
Total	<u>\$ 1,709,522</u>	<u>\$ 1,704,610</u>	<u>\$ 5,921,223</u>	<u>\$ 6,141,284</u>	<u>\$ 7,630,745</u>	<u>\$ 7,845,894</u>

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

**Long-term Debt.** As of June 30, 2017, the Town of Snow Hill had total bonded debt outstanding of \$330,000. All of this debt backed by the full faith and credit of the Town. All of the Town's debt represents financing agreements secured solely by specified revenue sources (i.e. revenue bonds).

**Town of Snow Hill's Outstanding Debt**  
**General Obligations and Revenue Bonds**  
**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment purchase	\$ 44,672	\$ 66,261	\$ 4,964	\$ 7,363	\$ 49,636	\$ 73,624
Revolving loan	-	-	1,015,256	1,137,891	1,015,256	1,137,891
Net pension liability	95,922	18,609	77,473	15,903	173,395	34,512
Total pension liability	30,578	27,652	-	-	30,578	27,652
Compensated absences	29,821	31,470	24,815	27,570	54,636	59,040
Total	<u>\$ 200,993</u>	<u>\$ 143,992</u>	<u>\$ 1,122,508</u>	<u>\$ 1,188,727</u>	<u>\$ 1,323,501</u>	<u>\$ 1,332,719</u>

**Town of Snow Hill**  
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**Town of Snow Hill's Outstanding Debt**

The Town of Snow Hill's total debt decreased by \$9,218 (0.69%) during the past fiscal year, the Town made annual payments on the revolving loans in the amount of \$137,021.

As mentioned in the financial highlights section of this document, the Town of Snow Hill has maintained its AAA bond rating. The Town's Board believes this bond rating is a clear indication of the sound financial condition of the Town of Snow Hill. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of governmental can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Snow Hill is \$7,830,759. The Town has \$0 in bonds authorized but un-issued at June 30, 2017.

Additional information regarding the Town of Snow Hill's long-term debt can be found in note III.B.5a beginning on page 42 of this report.

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

The following key economic indicators reflect that overall changes in the growth and prosperity of the Town of Snow Hill:

- *Tax Base Increase.* The budget calls for maintaining 35 cents per \$100 valuation tax rate.
- *Population Stable.* The State Data Center certified July 1, 2012 municipal population of 1,611 residents; current population is 1,592.
- *Labor Force in Flux.* The Town has recovered many of the jobs in the manufacturing sector, but the unemployment rate remains at approximately 4.5%.
- *External Fund Opportunities.* The Town continues to have success in pursuit of several external funding opportunities. The Town also currently has approval for water and sewer system improvements and business development.

Budget Highlights for the Fiscal Year Ending June 30, 2017:

- **General Fund.** The total budgeted expenditures in the General Fund are expected to be consistent to the prior year
- The contract for fire protection will remain consistent to prior year.

**Business-type Activities**



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- Water and Sewer Fund. The water and sewer budget is expected to be consistent to the prior year.

**Requests for Information**

This report is designed to provide an overview of the Town of Snow Hill's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Snow Hill, 908 SE Second Street, Snow Hill, North Carolina 28580. You can also call (252) 747-3414 or visit our website at <http://snowhillnc.com>.

## **Basic Financial Statements**

**Town of Snow Hill, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,012,721	\$ 1,020,092	\$ 2,032,813
Taxes receivable (net)	19,974	-	19,974
Accounts receivable (net)	1,336	195,133	196,469
Internal balances	(1,661)	1,661	-
Due from other governments	100,544	-	100,544
Inventories	-	24,575	24,575
Restricted cash and cash equivalents	69,318	44,992	114,310
Total Current Assets	<u>\$ 1,202,232</u>	<u>\$ 1,286,453</u>	<u>\$ 2,488,685</u>
Non-current assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	\$ 199,344	\$ 31,793	\$ 231,137
Other capital assets, net of depreciation	1,525,073	5,889,432	7,414,505
Total Capital Assets	<u>\$ 1,724,417</u>	<u>\$ 5,921,225</u>	<u>\$ 7,645,642</u>
Total non-current assets	<u>\$ 1,724,417</u>	<u>\$ 5,921,225</u>	<u>\$ 7,645,642</u>
Total Assets	<u>\$ 2,926,649</u>	<u>\$ 7,207,678</u>	<u>\$ 10,134,327</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	69,325	55,992	125,317
Contributions to pension plan in current fiscal year	26,382	21,308	47,690
Total deferred outflows of resources	<u>95,707</u>	<u>77,300</u>	<u>173,007</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 30,324	\$ 24,257	\$ 54,581
Customer deposits	25,720	44,992	70,712
Compensated absences	29,821	24,815	54,636
Current portion of long-term liabilities	22,083	127,384	149,467
Total Current Liabilities	<u>\$ 107,948</u>	<u>\$ 221,448</u>	<u>\$ 329,396</u>
Long-term Liabilities:			
Net pension liability	\$ 95,922	\$ 77,473	\$ 173,395
Total pension liability	30,578	-	30,578
Due in more than one year	22,589	892,836	915,425
Total Liabilities	<u>\$ 257,037</u>	<u>\$ 1,191,757</u>	<u>\$ 1,448,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	\$ 911	\$ -	\$ 911
Deferred revenue	1,560	-	1,560
Pension deferrals	4,173	2,714	6,887
Total deferred inflows of resources	<u>\$ 6,644</u>	<u>\$ 2,714</u>	<u>\$ 9,358</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,679,745	\$ 4,901,005	\$ 6,580,750
Restricted for:			
Transportation-Powell Bill	43,598	-	43,598
Stabilization by State statute	101,877	-	101,877
Unrestricted	933,455	1,189,502	2,122,957
Total Net Position	<u>\$ 2,758,675</u>	<u>\$ 6,090,507</u>	<u>\$ 8,849,182</u>

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

**Town of Snow Hill, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 175,686	\$ 425	\$ -	\$ -	\$ (175,261)	\$ -	\$ (175,261)
Public safety	362,280	58,929	-	-	(303,351)	-	(303,351)
Transportation	230,466	-	47,470	-	(182,996)	-	(182,996)
Cultural and recreation	126,358	2,835	83,048	-	(40,475)	-	(40,475)
Environment protection	219,913	146,670	-	-	(73,243)	-	(73,243)
Total Governmental Activities	\$ 1,114,703	\$ 208,859	\$ 130,518	\$ -	\$ (775,326)	\$ -	\$ (775,326)
Business-type Activities:							
Water and sewer	\$ 1,223,870	\$ 1,092,382	\$ -	\$ -	\$ -	\$ (131,488)	\$ (131,488)
Total Business-type Activities	\$ 1,223,870	\$ 1,092,382	\$ -	\$ -	\$ -	\$ (131,488)	\$ (131,488)
Total Primary Government	\$ 2,338,573	\$ 1,301,241	\$ 130,518	\$ -	\$ (775,326)	\$ (131,488)	\$ (906,814)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 360,179	\$ -	\$ 360,179
Other taxes licenses					7,460	-	7,460
Grants and contributions not restricted to specific programs					320,208	-	320,208
Investment earnings, unrestricted					555	1,422	1,977
Extraordinary item: Loss on insurance recovery					42,527	19,868	62,395
Other					53,546	9,843	63,389
Total General Revenues and Transfers					\$ 784,475	\$ 31,133	\$ 815,608
Change in Net Position					9,149	(100,355)	(91,206)
Net Position, previously reported					2,777,178	6,190,862	8,968,040
Restatement					(27,652)	-	(27,652)
Net Position, beginning, restated					2,749,526	6,190,862	8,940,388
Net Position, ending					\$ 2,758,675	\$ 6,090,507	\$ 8,849,182

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

**Town of Snow Hill, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	<b>Major Fund</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,012,621	\$ 1,012,621
Restricted cash	69,418	69,418
Receivables, net:		
Taxes	19,974	19,974
Accounts	1,336	1,336
Due from other governments	100,541	100,541
Total Assets	\$ 1,203,890	\$ 1,203,890
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 30,324	\$ 30,324
Customer deposits	25,720	25,720
Due to other funds	1,561	1,561
Total Liabilities	\$ 57,605	\$ 57,605
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	\$ 19,974	\$ 19,974
Prepaid taxes	911	911
Deferred revenue	1,661	1,661
Total Deferred Inflows of Resources	\$ 22,546	\$ 20,885
Fund Balances:		
Restricted for:		
Stabilization by State Statute	\$ 101,877	\$ 101,877
Streets - Powell Bill	43,598	43,598
Unassigned	978,266	978,266
Total Fund Balances	\$ 1,123,741	\$ 1,123,741
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,203,892	

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

Compensated absences		(29,821)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	2,637,913	
Accumulated depreciation	(913,496)	1,724,417
Net pension liability		(95,922)
Total pension liability		(30,578)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources of resources on the Statement of Net Position		26,382
Pension plan deferrals		65,153
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		(44,672)
Liabilities for earned but unavailable revenues considered deferred inflows of resources in fund statements.		19,975
Net Position of Governmental Activities		\$ 2,758,675

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

**Town of Snow Hill, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>Major Fund</b>	<b>Total</b>
	<b>General Fund</b>	<b>Governmental</b>
		<b>Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 369,762	\$ 369,762
Other taxes and licenses	7,460	7,460
Unrestricted intergovernmental	405,489	405,489
Restricted intergovernmental	47,470	47,470
Sales and services	229,214	229,214
Investment earnings	555	555
Other	73,486	73,486
Total Revenues	\$ 1,133,436	\$ 1,133,436
<b>EXPENDITURES</b>		
Current:		
General Government	\$ 275,822	\$ 275,822
Public Safety	377,490	377,490
Transportation	208,384	208,384
Environmental protection	144,551	144,551
Cultural and recreational	122,045	122,045
Debt service	23,130	23,130
Total Expenditures	\$ 1,151,422	\$ 1,151,422
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,986)	\$ (17,986)
Net Change in Fund Balance	\$ (17,986)	\$ (17,986)
Fund Balances, beginning	\$ 1,141,730	\$ 1,141,730
Fund Balances, ending	\$ 1,123,744	\$ 1,123,744

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

**Town of Snow Hill, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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

Net changes in fund balances - total governmental funds	\$	(17,986)
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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	\$ 110,246		
Depreciation expense for governmental assets	<u>\$ (90,439)</u>		19,807

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			26,382
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities			(3,738)
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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			(9,582)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt			21,589
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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			1,649
Pension expense			<u>(28,971)</u>

Total Changes in Net Position of Governmental Activities	\$	<u>9,150</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Snow Hill, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 368,000	\$ 368,000	\$ 369,762	\$ 1,762
Other taxes and licenses	6,000	6,000	7,460	1,460
Unrestricted intergovernmental	391,500	391,500	405,489	13,989
Restricted intergovernmental	45,000	45,000	47,470	2,470
Sales and services	202,500	204,000	229,214	25,214
Investment earnings	600	600	555	(45)
Other	31,700	74,227	73,486	(741)
Total Revenues	<u>\$ 1,045,300</u>	<u>\$ 1,089,327</u>	<u>\$ 1,133,436</u>	<u>\$ 44,109</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 241,210	\$ 287,248	\$ 275,822	\$ 11,426
Public safety	327,210	380,458	377,490	2,968
Transportation	135,040	215,751	208,384	7,367
Environmental protection	138,650	145,690	144,551	1,139
Cultural and recreational	155,320	163,632	122,045	41,587
Debt service	23,130	23,130	23,130	-
Total Expenditures	<u>\$ 1,020,560</u>	<u>\$ 1,215,909</u>	<u>\$ 1,151,422</u>	<u>\$ 64,487</u>
Revenues Over (Under) Expenditures	<u>\$ 24,740</u>	<u>\$ (126,582)</u>	<u>\$ (17,986)</u>	<u>\$ 108,596</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contingency	(24,740)	-	-	-
Fund balance appropriated	-	126,582	-	(126,582)
Total Other Financing Sources (Uses)	<u>\$ (24,740)</u>	<u>\$ 126,582</u>	<u>\$ -</u>	<u>\$ (126,582)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,986)</u>	<u>\$ (17,986)</u>
Fund balance, beginning			<u>\$ 1,141,730</u>	
Fund balance, ending			<u>\$ 1,123,744</u>	

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



**Town of Snow Hill, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Water/Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,020,092
Accounts receivable (net)	195,133
Inventory	24,575
Due from other funds	1,661
Restricted cash and cash equivalents	44,992
Total Current Assets	\$ 1,286,453
Noncurrent assets:	
Capital Assets:	
Land and other nondepreciable assets	\$ 31,793
Other capital assets, net of depreciation	5,889,432
Capital Assets	\$ 5,921,225
Total noncurrent assets	\$ 5,921,225
Total Assets	\$ 7,207,678
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan	\$ 21,308
Pension deferrals	55,992
Total Deferred Outflows of Resources	\$ 77,300
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 24,257
Customer deposits	44,992
Current portion of compensated absences	24,815
Long-term debt, current portion	127,384
Total Current Liabilities	\$ 221,448
Non-current Liabilities:	
Net pension liability	\$ 77,473
Long-term debt, non-current portion	892,836
Total Non-current Liabilities	\$ 970,309
Total Liabilities	\$ 1,191,757
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 2,714
<b>NET POSITION</b>	
Net investment in capital assets, net of related debt	\$ 4,901,005
Unrestricted	1,189,502
Total Net Position	\$ 6,090,507

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

**Town of Snow Hill, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Water/Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 999,740
Other operating revenues	92,642
Total Operating Revenues	\$ 1,092,382
<b>OPERATING EXPENSES</b>	
Water	\$ 435,998
Sewer	465,768
Depreciation	310,134
Total Operating Expenses	\$ 1,211,900
Operating Income (Loss)	\$ (119,518)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Insurance recovery	\$ 19,868
Investment earnings	1,422
Miscellaneous revenue	9,843
Interest and other charges	(11,970)
Total Non-operating Revenue (Expenses)	\$ 19,163
<b>Change in Net Position</b>	\$ (100,355)
Total Net Position, previously reported	\$ 6,190,862
Total Net Position, ending	\$ 6,090,507

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

**Town of Snow Hill, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Water/Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 962,794
Cash paid for goods and services	(550,085)
Cash paid to or on behalf of employees for services	(386,299)
Customers deposits	3,748
Other revenues	104,466
Net Cash Provided (Used) by Operating Activities	\$ 134,624
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Increase in due from other funds	\$ (1,661)
Decrease in due to other funds	(100)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (1,761)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	\$ (64,329)
Principal paid on bond maturities and revolving loan	(125,034)
Interest paid on bond maturities and revolving loan	(11,970)
Insurance recovery	19,868
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (181,465)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	\$ 1,421
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (47,181)
Cash and Cash Equivalents, July 1	1,112,265
Cash and Cash Equivalents, June 30	\$ 1,065,084
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	\$ (119,518)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	310,134
Changes in Assets and Liabilities:	
Decrease (increase) in accounts receivable	(36,946)
Decrease (increase) in inventory	3,466
Increase in deferred outflows of resources - pensions	(53,975)
Increase in net pension liability	61,570
Decrease in deferred inflows of resources - pensions	(21,454)
Increase (decrease) in accounts payable and accrued liabilities	(9,646)
Increase (decrease) in customer deposits	3,748
Increase (decrease) in compensated absences	(2,755)
Total Adjustments	\$ 254,142
Net Cash Provided (Used) by Operating Activities	\$ 134,624
<b>Supplement Disclosure of Cash Flows Information:</b>	
Cash consists of the following:	
Unrestricted cash and cash equivalents	\$ 1,020,092
Restricted cash and cash equivalents - customer deposits	44,992
Cash and Cash Equivalents, June 30	\$ 1,065,084

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

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Snow Hill conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Snow Hill is a municipal corporation that is governed by an elected mayor and a five member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations.

B. Basis of Presentation - Fund Accounting

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

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

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

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

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

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise funds:

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

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 liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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 revenue because the

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the CDBG Talent Enhancement Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several budget amendments were made to the general fund budgets increasing the total budgeted expenditures by approximately \$195,349. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended on for the purposes of maintaining, repairing, constructing, reconstructing or widening or local streets per G.S. 136-41.1 through 136-4.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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 6. The taxes levied are based on the assessed values as of January 1, 2010. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market value. The Town's General Fund inventory consists of expendable supplies that are recorded

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as expenditures as used rather than when purchased.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expenses when consumed rather than when purchased.

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

7. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	40 years
Buildings	39 years
Improvements	15-20 years
Vehicles	5-7 years
Furniture and Equipment	7-20 years
Computer Equipment	3-5 years

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 of Snow Hill has one item that meet this criterion, contributions made to the pension plan in 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 only several items



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that meets the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

a. Net Position

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

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

*Non-spendable Fund Balance* - This classification includes amounts that cannot be spent because they are either; (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Currently, the Town of Snow Hill has no amounts of Fund Balance classified as non-spendable.

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

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

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

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

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

The Town of Snow Hill currently does not have an adopted minimum fund balance policy.

12. Deferred 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 Snow Hill's employer contributions are recognized when due and the Town of Snow Hill 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.

**Town of Snow Hill**  
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13. Use of Estimates

The preparation of the accompanying general purpose financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

14. Date of Management's Review

Subsequent events were evaluated through November 30, 2017, that date the financial statements were available to be issued.

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

A. Non-compliance with NC General Statutes

There are no known of non-compliance with NC General Statute.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$1,989,007 and a bank balance of \$2,059,793. Of the bank balance, \$250,697 was covered by federal depository insurance and \$1,809,096 was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$450.

**Town of Snow Hill**  
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2. Investments

At June 30, 2017, the Town of Snow Hill had \$129,305 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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

General Fund:	
Allowance for uncollectible property taxes receivable	\$ 25,226
Water/Sewer Fund:	
Allowance for uncollectible accounts	106,700
	<u>\$ 131,926</u>

4. Capital Assets

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

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	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 199,344	\$ -	\$ -	\$ 199,344
Total Capital Assets Not Being Depreciated	<u>\$ 199,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,344</u>
Capital Assets Being Depreciated:				
Buildings	\$ 843,209	\$ 21,130	\$ -	\$ 864,339
Equipment	341,766	-	-	341,766
Vehicles and motorized equipment	168,775	35,744	-	204,519
Infrastructure	972,811	38,477	-	1,011,288
Furniture	1,762	-	-	1,762
Total Capital Assets Being Depreciated	<u>\$2,328,323</u>	<u>\$ 95,351</u>	<u>\$ -</u>	<u>\$2,423,674</u>
Less accumulated depreciation for:				
Buildings	\$ 193,873	\$ 25,577	\$ -	\$ 219,450
Equipment	249,748	21,489	-	271,237
Vehicles and motorized equipment	112,240	15,272	-	127,512
Infrastructure	266,062	27,849	-	293,911
Furniture	1,134	252	-	1,386
Total accumulated depreciation	<u>\$ 823,057</u>	<u>\$ 90,439</u>	<u>\$ -</u>	<u>\$ 913,496</u>
Total Capital Assets Being Depreciated, Net	<u>1,505,266</u>			<u>1,510,178</u>
Governmental Activity Capital Assets, Net	<u>\$1,704,610</u>			<u>\$1,709,522</u>

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

General government	\$ 9,768
Environmental protection	2,267
Public safety	16,434
Transportation	44,258
Cultural and recreational	17,712
Total Depreciation Expense	<u>\$ 90,439</u>

- b. Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2017 was as follows:

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Water/Sewer Fund	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type Activity:				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ -	\$ -	\$ -	\$ -
Land	31,794	-	-	31,794
Total Capital Assets Not Being Depreciated	\$ 31,794	\$ -	\$ -	\$ 31,794
Capital Assets Being Depreciated:				
Buildings	\$ 207,803	\$ 42,259	\$ -	\$ 250,062
Equipment	301,932	-	-	301,932
Furniture	527	-	-	527
Vehicles and motorized equipment	145,355	46,141	-	191,496
Water & sewer system	11,293,702	-	-	11,293,702
Infrastructure	25,018	1,673	-	26,691
Total Capital Assets Being Depreciated	\$ 11,974,337	\$ 90,073	\$ -	\$ 12,064,410
Less accumulated depreciation for:				
Buildings	\$ 106,420	\$ 7,174	\$ -	\$ 113,594
Equipment	236,337	12,586	-	248,923
Furniture	527	-	-	527
Vehicles and motorized equipment	122,117	12,018	-	134,135
Water & sewer system	5,396,947	276,313	-	5,673,260
Infrastructure	2,499	2,043	-	4,542
Total Accumulated Depreciation	\$ 5,864,847	\$ 310,134	\$ -	\$ 6,174,981
Total Capital Assets Being Depreciated, Net	\$ 6,109,490			\$ 5,889,429
Business-type Activities Capital Assets, Net	\$ 6,141,284			\$ 5,921,223

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Government Employees' Retirement System**

*Plan Description.* The Town of Snow Hill 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

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writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*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 Snow Hill 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 Snow Hill's contractually required contribution rate for the year ended June 30, 2016, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Snow Hill were \$35,153 for the year ended June 30, 2016.

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

**Town of Snow Hill**  
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***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 \$173,395 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 asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.00817%, which was an increase of 0.00048% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$52,320. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,258	\$ 6,076
Changes of assumptions	11,876	-
Net difference between projected and actual earnings on pension plan investments	95,865	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,318	-
Town contributions subsequent to the measurement date	47,690	-
Total	<u>\$ 173,007</u>	<u>\$ 6,076</u>

\$47,690 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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*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



**Town of Snow Hill**  
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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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	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	<u>100%</u>	

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 411,547	\$ 173,395	\$ (25,527)

*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.

a. Law Enforcement Officers Special Separation Allowance

***1. Plan Description.***

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

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

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Inactive members currently receiving benefits	0
Active plan members	4
Total	4

**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.

**4. Contributions.**

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

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

At June 30, 2017, the Town reported a total pension liability of \$30,578. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015

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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 \$3,738.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	812
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 812

\$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	\$ (128)
2019	(128)
2020	(128)
2021	(128)
2022	(128)
Thereafter	(172)

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

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	\$ 33,926	\$ 30,578	\$ 27,524

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

	<b>2017</b>
Beginning balance	\$ 27,652
Service Cost	2,879
Interest on the total pension liability	987
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(940)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 30,578

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.

**b. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The Town of Snow Hill contributes to 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 enforcements 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 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, an all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$7,734 for the reporting year. No amounts were forfeited.

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

c. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to 1.5 times annual earnings, rounded to the next highest \$1,000, with a maximum of \$200,000. The amount described above, multiplied by the appropriate age percentage. The insurance is provided by Provident Life Insurance issued to Municipal Insurance Trust of North Carolina. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	47,690
Differences between expected and actual experience	3,258
Changes of assumptions	11,876
Net difference between projected and actual earnings on pension plan investments	95,865
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,318
Total	<u><u>173,007</u></u>

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

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

	Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes		\$ 911	\$ 911
Taxes receivable, less penalties (General Fund)		19,974	19,974
Deferred revenue		1,661	1,661
Changes in assumptions		812	-
Differences between expected and actual experience		6,076	-
Total		\$ 29,434	\$ 22,546

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance with two private sector insurance agencies. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

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

The Town does not currently carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. All employees that have access to funds are bonded under a blanket bond of \$75,000.

The finance officer is bonded individually for \$75,000, and the tax collector is bonded for \$75,000 as required by G.S. 159-29.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2017, there were no lawsuits against the Town that materially impact its financial statements.

5. Long-term Obligations

a. Installment Purchase

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

In September 2013, the Town entered into an installment contract to purchase a street sweeper. The financing contract requires principal payments beginning in fiscal year 2015 with interest rate of 2.29 percent.

Annual debt service payments of the installment purchase as of June 30, 2017 including \$1,711 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 22,083	\$ 1,023	\$ 2,454	\$ 114	\$ 25,674
2019	22,589	517	2,510	57	25,673
	<u>\$ 44,672</u>	<u>\$ 1,540</u>	<u>\$ 4,964</u>	<u>\$ 171</u>	<u>\$ 51,347</u>

b. Sanitary Sewer Revolving Loan

In August of 2000, the Town entered into a Sanitary Sewer Revolving Loan Agreement with the North Carolina Department of Environment and Natural Resources Division of Water Quality, to aide in the construction of the Town's Waste Water Treatment Plant. The total amount of the loan proceeds was \$1,650,000 with the total project costs approximated at \$5,760,000. The agreement required principal and interest payments to being in 2002, spread over 20 years, with the initial interest rate of 2.87%, not to exceed 4%. At the date of this report, all of the funds have been drawn down and the project has been completed. The annual debt service requirements to maturity for this revolving loan should approximate the following:

Year Ending June 30	Principal	Interest	Total
2018	82,500	9,471	91,971
2019	82,500	7,103	89,603
2020	82,500	4,736	87,236
2021	82,500	2,368	84,868
	<u>\$ 330,000</u>	<u>\$ 23,678</u>	<u>\$ 353,678</u>

c. Construction Notes

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$144,638 to finance the purchase and installation of automatic meter readers. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2016, \$144,638 of the available loan has been received and used by the Town for the purchase and installation of automatic meter readers.

Annual debt service requirements to maturity for the full amount of the note of \$115,714, including no interest, are as follows:



**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

Year Ending June 30	Principal	Interest	Total
2018	9,643	-	9,643
2019	9,643	-	9,643
2020	9,643	-	9,643
2021	9,643	-	9,643
2022	9,643	-	9,643
2023-2027	48,213	-	48,213
2028-2029	19,286	-	19,286
	<u>\$ 115,714</u>	<u>-</u>	<u>\$ 115,714</u>

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$632,825 to finance the replacement of water lines. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2017, \$632,825 of the available loan has been received and used by the Town for the replacement of water lines.

Annual debt service requirements to maturity for the full amount of the note of \$569,542, including no interest, are as follows:

2018	\$ 31,641	\$ -	\$ 31,641
2019	31,641	-	31,641
2020	31,641	-	31,641
2021	31,641	-	31,641
2022	31,641	-	31,641
2023-2027	158,205	-	158,205
2028-2032	158,205	-	158,205
2033-2035	94,927	-	94,927
	<u>\$ 569,542</u>	<u>-</u>	<u>\$ 569,542</u>

d. Changes in Long-term Liabilities

At June 30, 2017, the Town had a legal debt margin of \$7,830,759. There are no bonds authorized and unissued. Also, compensated absences for governmental activities have been typically liquidated in the General Fund.

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Net pension liability	\$ 18,609	\$ 77,313	\$ -	\$ 95,922	\$ -
Total pension liability	27,652	2,926	-	30,578	-
Installment purchase	66,261	-	21,589	44,672	22,083
Compensated absences	31,470	-	1,649	29,821	29,821
Governmental Activity Long-term Liabilities	<u>\$ 143,992</u>	<u>\$ 80,239</u>	<u>\$ 23,238</u>	<u>\$ 200,993</u>	<u>\$ 51,904</u>
<b>Business-type Activities:</b>					
Net pension liability	\$ 15,903	\$ 61,570	\$ -	\$ 77,473	\$ -
Installment purchase	7,363	-	2,399	4,964	2,454
Revolving loan	1,137,891	-	122,635	1,015,256	124,930
Compensated absences	27,570	-	2,755	24,815	24,815
Total Business-type Activity	<u>\$1,188,727</u>	<u>\$ 61,570</u>	<u>\$ 127,789</u>	<u>\$ 1,122,508</u>	<u>\$ 152,199</u>

C. Interfund Balances and Activity

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

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 1,661

The Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Fund Balance

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

**Town of Snow Hill**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

Total fund balance - General Fund	\$ 1,123,744
Less:	
Stabilization by State Statute	96,037
Streets - Powell Bill	43,598
Unassigned	979,750
Remaining Fund Balance	\$ 4,359

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**V. 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 \$27,652.

## **Required Supplementary Financial Data**

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

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

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Snow Hill's proportion of the net pension liability (asset) (%)	0.00817%	0.00769%	0.00681%	0.00670%
Snow Hill's proportion of the net pension liability (asset) (\$)	\$ 173,393	\$ 34,512	\$ 43,641	\$ 79,555
Snow Hill's covered-employee payroll	\$ 637,098	\$ 516,215	\$ 499,739	\$ 466,306
Snow Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.22%	6.69%	8.73%	17.06%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

**Town of Snow Hill, North Carolina  
Town of Snow Hill's Contributions  
Required Supplementary Information  
Last Three Fiscal Years**

**Local Government Employees' Retirement System**

	2017	2016	2015	2014
Contractually required contribution	47,690	35,153	\$ 35,813	\$ 36,203
Contributions in relation to the contractually required contribution	47,690	35,153	35,813	36,203
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Snow Hill's covered-employee payroll	\$ 637,098	\$ 516,215	\$ 499,739	\$ 466,306
Contributions as a percentage of covered-employee payroll	7.49%	6.81%	7.17%	7.76%

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

	<b>2017</b>
Beginning balance	\$ 27,652
Service Cost	2,879
Interest on the total pension liability	987
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(940)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 30,578

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

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

		<b>2017</b>
Total pension liability	\$	30,578
Covered payroll		161,977
Total pension liability as a percentage of covered payroll		18.88%

Notes to the schedules:

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



## **Supplemental Information**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Ad Valorem Taxes:			
Current year	\$ 357,000	\$ 360,039	\$ 3,039
Prior year	8,500	6,040	(2,460)
Interest	2,500	3,683	1,183
Total Ad Valorem Taxes	<u>\$ 368,000</u>	<u>\$ 369,762</u>	<u>\$ 1,762</u>
Other Taxes and Licenses:			
Automobile licenses tags	\$ 6,000	\$ 7,460	\$ 1,460
Total Other Taxes and Licenses	<u>\$ 6,000</u>	<u>\$ 7,460</u>	<u>\$ 1,460</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 200,000	\$ 208,980	\$ 8,980
Utility franchise tax	60,000	72,868	12,868
Piped natural gas	6,000	4,539	(1,461)
Telecommunications sales tax	25,000	20,725	(4,275)
Supplement PEG channel support	84,000	83,048	(952)
Beer and wine tax	7,000	7,102	102
ABC Revenue	3,500	2,901	(599)
Video franchise fee	5,000	4,273	(727)
Solid waste dist. Tax	1,000	1,053	53
Total Unrestricted Intergovernmental	<u>\$ 391,500</u>	<u>\$ 405,489</u>	<u>\$ 13,989</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 45,000	\$ 47,470	\$ 2,470
Total Restricted Intergovernmental	<u>\$ 45,000</u>	<u>\$ 47,470</u>	<u>\$ 2,470</u>
Sales and Services:			
Waste collection fees	\$ 100,000	\$ 102,390	\$ 2,390
Cemetery lot sales and department fees	58,500	66,720	8,220
Police revenue	45,000	58,929	13,929
Zoning	500	1,175	675
Total Sales and Services	<u>\$ 204,000</u>	<u>\$ 229,214</u>	<u>\$ 25,214</u>
Investment earnings	<u>\$ 600</u>	<u>\$ 555</u>	<u>\$ (45)</u>
Miscellaneous:			
Other revenues	\$ 12,100	\$ 11,256	\$ (844)
Rent	19,200	19,035	(165)
Insurance proceeds	42,527	42,527	-
Gasoline tax refund	400	668	268
Total Miscellaneous	<u>\$ 74,227</u>	<u>\$ 73,486</u>	<u>\$ (741)</u>
Total Revenues	<u>\$ 1,089,327</u>	<u>\$ 1,133,436</u>	<u>\$ 44,109</u>

(Continued)

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

<i>(Continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ 36,170	\$ 36,140	\$ 30
Operating expenditures	19,800	17,959	1,841
Total Governing Body	<u>\$ 55,970</u>	<u>\$ 54,099</u>	<u>\$ 1,871</u>
Administration:			
Salaries and employee benefits	\$ 39,542	\$ 38,736	\$ 806
Operating expenses	72,860	68,198	4,662
Capital outlay	44,310	42,086	2,224
Total Administration	<u>\$ 156,712</u>	<u>\$ 149,020</u>	<u>\$ 5,468</u>
Cemetery Department:			
Salaries and employee benefits	\$ 52,152	\$ 51,659	\$ 493
Professional services	4,000	4,125	(125)
Operating expenses	18,414	16,919	1,495
Total Cemetery Department	<u>\$ 74,566</u>	<u>\$ 72,703</u>	<u>\$ 1,863</u>
Total General Government	<u>\$ 287,248</u>	<u>\$ 275,822</u>	<u>\$ 9,202</u>
Public Safety:			
Police Department:			
Salaries and employee benefits	\$ 273,788	\$ 273,778	\$ 10
Operating expenses	37,020	33,967	3,053
Capital outlay	35,650	35,745	(95)
Total Police Department	<u>\$ 346,458</u>	<u>\$ 343,490</u>	<u>\$ 2,968</u>
Fire Department:			
Contributions	<u>34,000</u>	<u>34,000</u>	<u>-</u>
Total Public Safety	<u>\$ 380,458</u>	<u>\$ 377,490</u>	<u>\$ 2,968</u>

*(Continued)*

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

<i>(Continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 25,508	\$ 25,293	\$ 215
Operating expenditures	8,909	5,180	3,729
Total Streets	<u>\$ 34,417</u>	<u>\$ 30,473</u>	<u>\$ 3,944</u>
Powell Bill:			
Salaries and employee benefits	\$ 40,995	\$ 40,633	\$ 362
Operating expenditures	107,615	105,398	2,217
Capital outlay	32,724	31,880	844
Total Powell Bill	<u>\$ 181,334</u>	<u>\$ 177,911</u>	<u>\$ 3,423</u>
Total Transportation	<u>\$ 215,751</u>	<u>\$ 208,384</u>	<u>\$ 7,367</u>
Environmental Protection:			
Sanitation Department			
Salaries and employee benefits	\$ 33,606	\$ 33,452	\$ 154
Waste collection	97,809	97,791	18
Operating expenses	14,275	13,308	967
Total Environmental Protection	<u>\$ 145,690</u>	<u>\$ 144,551</u>	<u>\$ 1,139</u>
Cultural and Recreational:			
Contribution to County Library	\$ 4,250	\$ 4,250	\$ -
Historic preservation	8,700	(45)	8,745
Area contributions	13,250	11,100	2,150
PEG channel contributions	84,000	83,048	952
Town Development Committee	10,410	9,753	657
Miscellaneous	1,392	540	852
Capital outlay	41,630	13,399	28,231
Total Cultural and Recreational	<u>\$ 163,632</u>	<u>\$ 122,045</u>	<u>\$ 41,587</u>
Debt Service:			
Principal retirement		\$ 21,589	
Interest and other charges	\$ 23,130	1,541	\$ 21,589
Total Debt Service	<u>\$ 23,130</u>	<u>\$ 23,130</u>	<u>\$ 21,589</u>
Total Expenditures	<u>\$ 1,215,909</u>	<u>\$ 1,151,422</u>	<u>\$ 83,852</u>
Revenues Over (Under) Expenditures	<u>\$ (126,582)</u>	<u>\$ (17,986)</u>	<u>\$ 108,596</u>
Other Financing Sources (Uses):			
Fund balance appropriated	126,582	-	(126,582)
Total Other Financing Sources (Uses)	<u>\$ 126,582</u>	<u>\$ -</u>	<u>\$ (126,582)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (17,986)</u>	<u>\$ (17,986)</u>
Fund balance, beginning		1,141,730	
Fund balances, ending		<u>\$ 1,123,744</u>	

**Town of Snow Hill, North Carolina**  
**Water and Sewer**  
**Schedule of Revenues and Expenditures**  
**Changes in Fund Balance - Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Operating Revenues:			
Charges for Services:			
Water charges	\$ 437,000	\$ 450,436	\$ 13,436
Sewer charges	515,000	547,905	32,905
Services Rendered:			
Jason Water Corporation	-	9,569	9,569
Total Charges for Services	<u>\$ 952,000</u>	<u>\$ 1,007,910</u>	<u>\$ 55,910</u>
Water & sewer taps	\$ 1,000	\$ 1,400	\$ 400
Operating Revenues:			
Alternative water	80,000	83,073	3,073
Total Other Operating Revenues	<u>\$ 80,000</u>	<u>\$ 83,073</u>	<u>\$ 3,073</u>
Total Operating Revenues	<u>\$ 1,033,000</u>	<u>\$ 1,092,383</u>	<u>\$ 59,383</u>
Non-operating Revenues:			
Interest earned on investments	\$ 500	\$ 1,422	\$ 922
Service charge	5,000	5,380	(380)
Insurance proceeds	19,868	19,868	-
Miscellaneous	1,000	4,464	(3,464)
Total Non-operating Revenues	<u>\$ 26,368</u>	<u>\$ 31,134</u>	<u>\$ (2,922)</u>
Total Revenues	<u>\$ 1,059,368</u>	<u>\$ 1,123,517</u>	<u>\$ 64,149</u>
<b>EXPENDITURES</b>			
Water:			
Salaries and employee benefits	\$ 187,943	\$ 187,810	\$ 133
WASA/Alternative water fees	10,200	10,183	17
Operating expenses	198,332	194,366	3,966
Total Water	<u>\$ 396,475</u>	<u>\$ 392,359</u>	<u>\$ 4,116</u>
Sewer:			
Salaries and employee benefits	\$ 199,253	\$ 198,489	\$ 764
Operating expenses	243,036	239,232	3,804
Total Sewer	<u>\$ 442,289</u>	<u>\$ 437,721</u>	<u>\$ 4,568</u>
Debt Service:			
Interest	\$ -	\$ 11,970	\$ (11,970)
Principal	137,200	125,051	12,149
Total Debt Service	<u>\$ 137,200</u>	<u>\$ 137,021</u>	<u>\$ 179</u>

(Continued)

**Town of Snow Hill, North Carolina**  
**Water and Sewer**  
**Schedule of Revenues and Expenditures**  
**Changes in Fund Balance - Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital Outlay - Water	99,730	101,608	(1,878)
Capital Outlay - Sewer	62,100	60,868	\$ 1,232
Total Capital Outlay	<u>161,830</u>	<u>162,476</u>	<u>\$ (646)</u>
Total Expenditures	<u>\$ 1,137,794</u>	<u>\$ 1,129,577</u>	<u>\$ 8,217</u>
Revenues Over (Under) Expenses	<u>\$ (78,426)</u>	<u>\$ (6,060)</u>	<u>\$ 72,366</u>
Other Financing Sources (Uses):			
Fund balance appropriated	78,426	-	(78,426)
Total Other Financing Sources (Uses)	<u>78,426</u>	<u>-</u>	<u>(78,426)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (6,060)</u>	<u>\$ (6,060)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and Other Sources Over (Under) Expenditures		<u>\$ (6,060)</u>	
Reconciling items:			
Capital outlay		90,073	
Depreciation		(310,134)	
Principal retirement		125,051	
Decrease in bond interest accrued		158	
Decrease in accrued vacation pay		2,755	
Decrease in deferred outflows of resources - pensions		53,819	
Increase in net pension liability		(61,570)	
Decrease in deferred outflows of resources - pensions		5,552	
Total Reconciling Items		<u>\$ (94,296)</u>	
Net Income (Loss)		<u>\$ (100,356)</u>	

## **Other Schedules**

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This section contains additional information on property taxes.

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

**Town of Snow Hill, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections And Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 379,712	\$ 364,540	\$ 15,172
2015-2016	18,372	-	3,054	15,318
2014-2015	3,420	-	652	2,768
2013-2014	2,644	-	229	2,415
2012-2013	2,579	-	304	2,275
2011-2012	2,171	-	449	1,722
2010-2011	2,407	-	189	2,218
2009-2010	1,818	-	366	1,452
2008-2009	2,315	-	455	1,860
2007-2008	2,046	-	2,046	-
2006-2007	1,597	-	1,597	-
2005-2006	1,921	-	1,921	-
	<u>41,290</u>	<u>\$ 379,712</u>	<u>\$ 375,802</u>	<u>\$ 45,200</u>
Less: allowance for uncollectible ad valorem taxes receivable	<u>(11,736)</u>			<u>(25,226)</u>
Ad valorem taxes receivable - net	<u>\$ 29,554</u>			<u>\$ 19,974</u>
Reconciliation with revenues:				
Taxes - Ad valorem - General Fund				\$ 369,762
Reconciling Items:				
Interest and penalties collected				(3,682)
Releases and other adjustments				4,464
Amounts written off per Statute of Limitations and Abatements				5,258
Total Reconciling Items				<u>\$ 6,040</u>
Total Collections and Credits				<u>\$ 375,802</u>



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

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Rate:					
General tax	\$ 111,157,353	0.34	\$ 377,935	\$ 330,259	\$ 47,676
Total	<u>\$ 111,157,353</u>		<u>\$ 377,935</u>	<u>\$ 330,259</u>	<u>\$ 47,676</u>
Discoveries	\$ 4,286,571		15,003	15,003	-
Releases & Abatements	<u>\$ 38,286</u>		<u>\$ 134</u>	<u>\$ 134</u>	<u>\$ -</u>
Total Property Valuation	<u><u>\$ 111,195,639</u></u>				
Net Levy			\$ 378,069	\$ 330,393	\$ 47,676
Uncollected Taxes at June 30, 2017			<u>\$ 9,230</u>	<u>\$ 9,230</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u><u>\$ 368,839</u></u>	<u><u>\$ 321,163</u></u>	<u><u>\$ 47,676</u></u>
Current Levy Collection Percentage			<u><u>97.56%</u></u>	<u><u>97.21%</u></u>	<u><u>100.00%</u></u>