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TOWN OF ROLESVILLE

Financial Statements

June 30, 2016

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TOWN OF ROLESVILLE
ROLESVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Mayor

Frank Eagles

Mayor Pro-Tem

Frank Hodge

Commissioners

Betty Whitaker
Frank Hodge
Michelle Medley
Ronnie Currin
Sheilah Sutton

Town Manager

Bryan Hicks

Town Clerk

Robin Reif

Attorney

David York

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rolesville, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Town of Rolesville, North Carolina, as of June 30, 2016, and the respective changes in financial position 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.

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Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 3 through 9 and 37 through 39, respectively, and the Local Government Employees' Retirement Systems Schedules of the Proportionate Share of the Net Pension Asset on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Rolesville, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016, on our consideration of the Town of Rolesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rolesville's internal control over financial reporting and compliance.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
October 5, 2016

TOWN OF ROLESVILLE
 Management’s Discussion and Analysis
 June 30, 2016

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

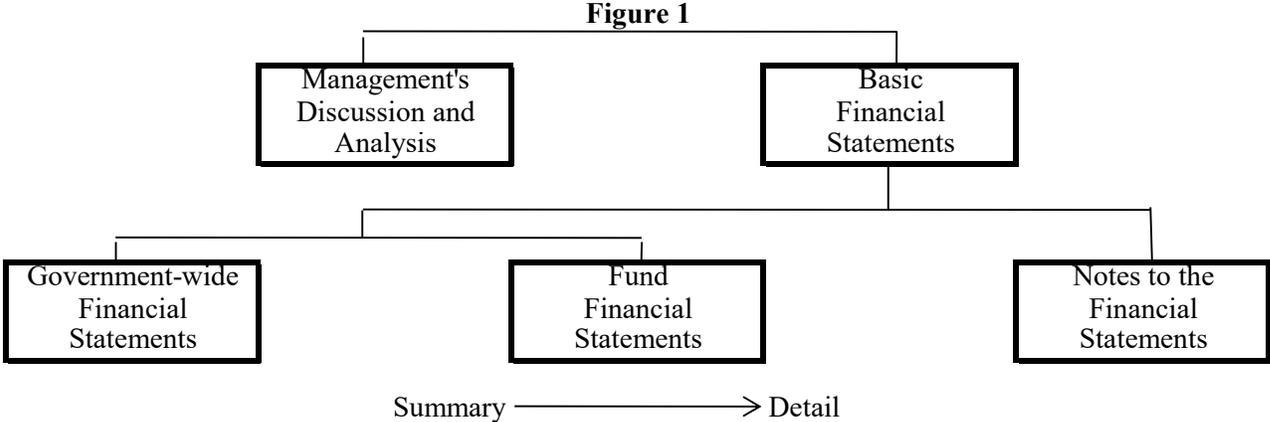
Financial Highlights

- The assets and deferred outflows of resources of the Town of Rolesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,923,048 (net position).
- The government’s total net position increased by \$3,783,018, primarily due to an increase in contributed infrastructure, ad valorem taxes collected, and sales tax distributions received.
- As of the close of the current fiscal year, the Town of Rolesville’s governmental funds reported combined ending fund balances of \$7,777,187, an increase of \$2,585,201 in comparison with the prior year. Approximately 35% of this total amount, or \$2,711,883, is available for spending at the government’s discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,711,883 or 38% of total general fund expenditures for the fiscal year. This is an increase of \$468,469 in unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Rolesville’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 Rolesville.

Required Components of Annual Financial Report



TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the 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 gauge the Town's financial condition.

The government-wide statements contain the governmental activities. The governmental activities include the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Fund Financial Statements

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 34 of this report.

TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Government-Wide Financial Analysis

The following summaries are provided for comparative analysis:

***Net Position
Figure 2***

	Governmental Activities	
	2016	2015
Current and other assets	\$ 7,929,879	\$ 5,625,059
Capital assets	22,957,656	20,076,651
Deferred outflows of resources	142,836	143,303
Total assets and deferred outflows of resources	<u>31,030,371</u>	<u>25,845,013</u>
Long-term liabilities outstanding	2,750,870	1,016,453
Other liabilities	298,021	340,690
Deferred inflows or resources	58,432	347,840
Total liabilities and deferred inflows of resources	<u>3,107,323</u>	<u>1,704,983</u>
Net position:		
Net investment in capital assets	21,153,955	19,893,668
Restricted	1,042,907	836,540
Unrestricted	<u>5,726,186</u>	<u>3,409,822</u>
Total net position	<u>\$ 27,923,048</u>	<u>\$ 24,140,030</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rolesville exceeded liabilities and deferred inflows by \$27,923,048 as of June 30, 2016. The Town's net position increased by \$3,783,018 for the fiscal year ended June 30, 2016. However, the largest portion (75.6%) reflects the Town's net investment 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 Rolesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rolesville's net 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 Rolesville's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,726,186 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.7%.
- Increased sales tax revenues, ad valorem taxes, building permits, and environmental protection fees due to economic growth in the Town.

TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Changes in Net Position
Figure 3

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,898,564	\$ 1,679,413
Operating grants and contributions	135,111	48,425
Capital grants and contributions	1,776,088	134,111
General revenues:		
Property taxes	3,333,363	3,000,576
Other taxes	1,454,666	1,235,600
Other	33,335	35,712
Total revenues	<u>9,631,127</u>	<u>6,133,837</u>
Expenses:		
General government	2,528,456	2,684,248
Public safety	1,793,723	1,000,221
Environmental protection	436,953	397,411
Cultural and recreation	728,243	881,983
Public works	329,084	415,163
Interest on long-term debt	31,650	27,586
Total expenses	<u>5,848,109</u>	<u>5,406,612</u>
Increase in net position	<u>3,783,018</u>	<u>727,225</u>
Net position, July 1, previously reported	24,140,030	23,549,595
Restatement		(136,790)
Net position, July 1, restated	<u>24,140,030</u>	<u>23,412,805</u>
Net position, June 30	<u>\$ 27,923,048</u>	<u>\$ 24,140,030</u>

Governmental activities - Governmental activities increased the Town's net position by \$3,783,018, which represents the entire growth in the net position of the Town of Rolesville. Key elements of this increase are as follows:

- Ad valorem tax revenues increased approximately \$318,000 over prior year.
- Developer contributions of infrastructure totaled \$1,630,648.

TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Rolesville'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 Rolesville's financing requirements.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$2,859,296, while total fund balance reached \$3,754,756. The Town currently has an available fund balance of 39.9% of general fund expenditures, while total fund balance represents 52.4% of the same amount.

At June 30, 2016, the governmental funds of the Town of Rolesville reported a combined fund balance of \$7,777,187 with a net increase in fund balance of \$2,585,201.

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.

Expenditures were under budget due to planned reductions.

Capital Asset and Debt Administration

Capital assets - The Town of Rolesville's investment in capital assets for its governmental activities as of June 30, 2016, totals \$22,957,655 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2016	2015
Land	\$ 6,864,984	\$ 5,916,056
Buildings and system	1,300,437	151,516
Improvements other than buildings	1,219,346	1,299,433
Equipment	190,117	55,576
Vehicles and motorized equipment	319,846	247,706
Infrastructure	13,062,926	12,406,364
	<u>\$ 22,957,656</u>	<u>\$ 20,076,651</u>

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

TOWN OF ROLESVILLE
Management's Discussion and Analysis
June 30, 2016

Long-Term Debt - As of June 30, 2016, the Town of Rolesville had total bonded debt outstanding of \$384,500, which is debt backed by the full faith and credit of the Town.

The Town of Rolesville's total debt increased by \$1,718,336 (155%) during the past fiscal year due to a new note payable and an increase in the other post employment benefit obligation.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Rolesville is \$52,223,283.

Additional information regarding the Town of Rolesville's long-term debt can be found in Note II.6.B beginning on page 33 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The building permits will continue to be steady as several popular subdivisions continue to grow and approved lots are available for construction. Our region is not as volatile as others across the nation and our growth percentages back that up.
- Tax base growth will continue to increase. The opening for the US 401 Rolesville Bypass is expected to draw both commercial and residential growth to the eastern areas of Town.
- There continues to be interest in Rolesville from the development community. The Town is in a good position with water, sewer, natural gas, electricity, and roadway infrastructures.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The Town Board of Commissioners and staff continue to budget conservatively in order to steadily increase the fund balance needed for this rapidly growing community.

The new fiscal year budget includes funding to stimulate further economic development of the Town. Town leaders would like to make the community more attractive to commercial development. These economic development expenditures were approved for the purposes of increasing population, improving property tax values, and providing jobs.

The economy continues to improve in Wake County and southern Franklin County. Home values continue to rise. It is important for the Town to continue to prioritize and follow the Capital Improvement Plan (CIP). Due to economic uncertainties, predicted population growth, and a wide list of future needs, the Town will continue to be conservative with spending.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROLESVILLE
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,846,243
Taxes receivable	40,729
Accounts receivable	39,126
Due from other governments	461,420
Restricted cash and cash equivalents	542,361
Total current assets	<u>7,929,879</u>
Capital assets (Note 1):	
Land, non-depreciable improvements	6,864,984
Other capital assets, net of depreciation	16,092,672
Total capital assets	<u>22,957,656</u>
Total assets	<u>30,887,535</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	<u>142,836</u>
LIABILITIES	
Current liabilities:	
Accounts and taxes payable	111,963
Bond interest accrued	2,493
Current portion of long term liabilities	183,565
Total current liabilities	<u>298,021</u>
Long-term liabilities:	
Net pension liability	112,423
Due in more than one year	2,638,447
Total long-term liabilities	<u>2,750,870</u>
Total liabilities	<u>3,048,891</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>58,432</u>
NET POSITION	
Net investment in capital assets	21,153,955
Restricted for:	
Stabilization by State Statute	500,546
Streets--Powell Bill	500,709
Debt service--USDA	40,402
Police Funds	1,250
Unrestricted	<u>5,726,186</u>
Total net position	<u>\$ 27,923,048</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ROLESVILLE
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants/ Contributions	Primary Governmental
Primary government:					
Governmental Activities:					
General government	\$ 2,528,456	\$ 211,530	\$ 135,111	\$ 1,630,648	\$ (551,167)
Public safety	1,793,723				(1,793,723)
Environmental protection	436,953	585,822			148,869
Cultural and recreation	728,243	2,101,212			1,372,969
Public works	329,084			145,440	(183,644)
Interest on long-term debt	31,650				(31,650)
Total governmental activities (See Note 1)	\$ 5,848,109	\$ 2,898,564	\$ 135,111	\$ 1,776,088	(1,038,346)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					3,333,363
Other taxes					1,454,666
Unrestricted investment earnings					12,663
Miscellaneous					20,672
Total general revenues					4,821,364
Change in net position					3,783,018
Net position--beginning					24,140,030
Net position--ending					\$ 27,923,048

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF ROLESVILLE
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	
ASSETS				
Cash and cash equivalents	\$ 2,823,812	\$ 2,912,666	\$ 1,109,765	\$ 6,846,243
Receivables				
Taxes	40,729			40,729
Accounts	39,126			39,126
Due from other governments	461,420			461,420
Restricted cash and cash equivalents	542,361			542,361
Total assets	<u>\$ 3,907,448</u>	<u>\$ 2,912,666</u>	<u>\$ 1,109,765</u>	<u>\$ 7,929,879</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and taxes payable	\$ 111,963	\$ _____	\$ _____	\$ 111,963
Total liabilities	<u>111,963</u>	<u>_____</u>	<u>_____</u>	<u>111,963</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	40,729	_____	_____	40,729
Total deferred inflows of resources	<u>40,729</u>	<u>_____</u>	<u>_____</u>	<u>40,729</u>
Fund balances:				
Restricted				
Stabilization by State Statute	500,546			500,546
Streets--Powell Bill	500,709			500,709
Debt service--USDA	40,368			40,368
Police Funds	1,250			1,250
Committed				
Parks		1,675,827		1,675,827
Thoroughfare		1,236,839		1,236,839
Utility			1,109,765	1,109,765
Unassigned	2,711,883			2,711,883
Total fund balances	<u>3,754,756</u>	<u>2,912,666</u>	<u>1,109,765</u>	<u>7,777,187</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 3,907,448</u>	<u>\$ 2,912,666</u>	<u>\$ 1,109,765</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds	22,957,656
Net pension asset (liability)	(112,423)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	142,836
Liabilities for earned revenues considered deferred inflows of resources in fund statements	40,729
Some liabilities, including bond payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	(2,824,505)
Pension related deferrals	(58,432)

Net position of governmental activities \$ 27,923,048

The accompanying notes are an integral part of the financial statements.

TOWN OF ROLESVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	
REVENUES				
Ad valorem taxes	\$ 3,332,014	\$	\$	\$ 3,332,014
Other taxes	1,007,619			1,007,619
Unrestricted intergovernmental	447,047			447,047
Restricted intergovernmental	280,551			280,551
Permits and fees	92,706	1,274,618	636,472	2,003,796
Sales and services	775,944			775,944
Investment earnings	7,604	5,059		12,663
Miscellaneous	139,496			139,496
Total revenues	<u>6,082,981</u>	<u>1,279,677</u>	<u>636,472</u>	<u>7,999,130</u>
EXPENDITURES				
Current:				
General government	3,626,374			3,626,374
Public safety	1,794,128			1,794,128
Recreation	649,831	5,750		655,581
Environmental protection	436,953			436,953
Public works	473,461			473,461
Debt service:				
Principal	150,782			150,782
Interest and other charges	31,650			31,650
Total expenditures	<u>7,163,179</u>	<u>5,750</u>	<u></u>	<u>7,168,929</u>
Revenues over (under) expenditures	(1,080,198)	1,273,927	636,472	830,201
Other Financing Sources (Uses):				
Loan proceeds	1,755,000			1,755,000
Transfers	(483,079)	483,079		(483,079)
Total other financing sources (uses)	<u>1,271,921</u>	<u>483,079</u>	<u></u>	<u>1,755,000</u>
Net change in fund balance	191,723	1,757,006	636,472	2,585,201
Fund balances--beginning	<u>3,563,033</u>	<u>1,155,660</u>	<u>473,293</u>	<u>5,191,986</u>
Fund balances--ending	<u>\$ 3,754,756</u>	<u>\$ 2,912,666</u>	<u>\$ 1,109,765</u>	<u>\$ 7,777,187</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ROLESVILLE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$	830,201
<p>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.</p>		
		2,881,004
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.</p>		
Change in deferred revenues for tax revenues		1,349
<p>Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position</p>		
		106,508
<p>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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		150,782
<p>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 the governmental funds.</p>		
Compensated absences	\$	(2,166)
Pension expense		(72,708)
Other postemployment benefits		(111,952)
		(186,826)
Total changes in net position of governmental activities	\$	3,783,018

The accompanying notes are an integral part of the financial statements.

TOWN OF ROLESVILLE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Ad valorem taxes	\$ 3,241,360	\$ 3,263,360	\$ 3,332,014	\$ 68,654
Other taxes	810,850	823,350	1,007,619	184,269
Unrestricted intergovernmental	295,980	295,980	447,047	151,067
Restricted intergovernmental	163,638	267,247	280,551	13,304
Permits and fees	46,500	46,500	92,706	46,206
Sales and services	653,500	653,500	775,944	122,444
Investment earnings	330	330	7,604	7,274
Miscellaneous	121,575	121,575	139,496	17,921
Total revenues	<u>5,333,733</u>	<u>5,471,842</u>	<u>6,082,981</u>	<u>611,139</u>
EXPENDITURES:				
Current:				
General government	1,985,774	3,718,174	3,626,374	91,800
Public safety	1,734,309	1,854,188	1,794,128	60,060
Recreation	709,590	729,088	649,831	79,257
Environmental protection	475,000	469,730	436,953	32,777
Public works	519,760	525,030	473,461	51,569
Debt service:				
Principal retirement	34,500	154,250	150,782	3,468
Interest and other charges	25,800	33,150	31,650	1,500
Total expenditures	<u>5,484,733</u>	<u>7,483,610</u>	<u>7,163,179</u>	<u>320,431</u>
Revenues over (under) expenditures	(151,000)	(2,011,768)	(1,080,198)	931,570
Other Financing Sources (Uses)				
Loan proceeds		1,770,000	1,755,000	15,000
Transfer to capital projects fund			(483,079)	483,079
Total other financing sources (uses)		<u>1,770,000</u>	<u>1,271,921</u>	<u>498,079</u>
Appropriated fund balance	<u>151,000</u>	<u>241,768</u>		<u>(241,768)</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	191,723	<u>\$ 1,685,960</u>
Fund balances--beginning			<u>3,563,033</u>	
Fund balances--ending			<u>\$ 3,754,756</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

I. **SUMMARY OF SIGNIFICANT POLICIES**

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity:

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

B. Basis of Presentation:

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 governmental fund are presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental funds:

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

Capital Projects Fund - This fund is used for the acquisition or construction of capital projects.

Utility Reserve Capital Projects Fund - This fund is used for the acquisition or construction of water and wastewater projects.

C. Measurement Focus and Basis of Accounting:

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

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered shared revenue for the Town of Rolesville because the tax is levied by Wake 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 program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data:

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund – Parks and Recreation and Capital Projects Fund – Utility Reserve. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary.

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

(1) Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price.

(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 Cash

The Town has established a restricted cash account to cover one year of debt service on its Waste Water Bond as required by the United States Department of Agriculture Rural Development. The Town also records Powell Bill funds and Drug Forfeiture funds as restricted cash.

<u>General Fund</u>	
Waste Water Bond	\$ 40,402
Powell Bill	500,709
Police Funds	1,250
	<u>\$ 542,361</u>

(4) Ad Valorem Taxes Receivable

In accordance with State law ([G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

(5) Allowance for Doubtful Account

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing all overdue account balances at the end of the fiscal year.

(6) Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$3,000. All other 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was 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 is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	25
Improvements	25
Vehicles	5
Furniture and equipment	5

(7) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion: contributions to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category: property taxes receivable and deferrals of pension expense that result from implementation of GASB Statement 68.

(8) Long Term Obligations

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

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

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.

(9) 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 funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The 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 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.

(10) Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

- Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- Restricted for Streets - Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
- Restricted for Debt Service - USDA – portion of fund balance restricted by the United States Department of Agriculture Rural Development to cover one year of debt service on the Town's Waste Water Bond.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Concluded)

- Restricted for Police Funds – portion of fund balance that is restricted by revenue source for allowable law enforcement purposes.

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

- Committed for Streets – Thoroughfare fees – portion of fund balance assigned by the Board for street construction and maintenance. Thoroughfare fees are collected at the time a developer permits a lot. This amount represents the balance of the total unexpended Thoroughfare fees.
- Committed for Parks – portion of fund balance that the Town has committed to park projects.
- Committed for Utility Reserve – portion of fund balance that the Town has committed to utility projects.

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

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

The Town of Rolesville 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-city funds, city 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.

(11) Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Rolesville's employer contributions are recognized when due and the Town of Rolesville 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 ROLESVILLE
Notes to Financial Statements
June 30, 2016

II. Detail Notes on All Funds

ASSETS

1. Deposits

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

At June 30, 2016, the Town's deposits had a carrying amount of \$603,198 and a bank balance of \$827,230. \$290,402 was covered by federal depository insurance, the remaining \$536,828 was collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. At June 30, 2016, the Town's petty cash fund totaled \$1,450.

2. Investments

At June 30, 2016, the Town had \$6,783,956 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.

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

Credit Rate Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

3. Receivables

Accounts receivable consists of amounts due for garbage collection.

An allowance for doubtful accounts with a balance of \$26,000 has been established for the garbage collection receivable. The allowance is based on management's estimate of the uncollectible portion.

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,916,056	\$ 948,928	\$	\$ 6,864,984
Capital assets being depreciated:				
Buildings	195,649	1,181,149		1,376,798
Other improvements	2,002,187			2,002,187
Equipment	172,121	156,272		328,393
Vehicles and motorized equipment	449,638	168,262		617,900
Infrastructure	17,744,610	1,289,811		19,034,421
Total capital assets being depreciated	<u>20,564,205</u>	<u>2,795,494</u>	<u>0</u>	<u>23,359,699</u>
Less accumulated depreciation for:				
Buildings	44,133	32,228		76,361
Other improvements	702,754	80,087		782,841
Equipment	116,545	21,731		138,276
Vehicles and motorized equipment	201,932	96,122		298,054
Infrastructure	5,338,246	633,249		5,971,495
Total accumulated depreciation	<u>6,403,610</u>	<u>863,417</u>	<u>0</u>	<u>7,267,027</u>
Total capital assets being depreciated, net	<u>14,160,595</u>			<u>16,092,672</u>
Governmental activity capital assets, net	<u>\$ 20,076,651</u>			<u>\$ 22,957,656</u>

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

General government	\$ 663,617
Public safety	116,937
Cultural and recreational	82,863
Total depreciation expense	<u>\$ 863,417</u>

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

LIABILITIES

1. Pension Plan Obligations

A. Local Governmental Employees' Retirement System:

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of 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 on the member's contributions.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Pension Plan Obligations (Continued)

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rolesville 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 Rolesville'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 Rolesville were \$106,508 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 benefits provided by LGERS.

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

At June 30, 2016, the Town reported a liability of \$112,423 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.025%, which was a decrease (or increase) of 0.049% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$72,708. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 26,426
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		32,006
Changes in proportion and differences between Town contributions and proportionate share of contributions	36,328	
Town contributions subsequent to the measurement date	106,508	
	<u>\$ 142,836</u>	<u>\$ 58,432</u>

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Pension Plan Obligations (Continued)

\$106,508 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 asset in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30		
2017	\$	(25,197)
2018		(25,197)
2019		(25,276)
2020		53,567
	\$	(22,103)

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

Inflation	3%
Salary increases	4.25% to 8.55%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the forgoing 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, 2014 are summarized in the following table:

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Pension Plan Obligations (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	<u>100.0%</u>	

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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate – The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25%, 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%) or one percentage point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the Net Pension Liability (Asset)	\$ 783,941	\$ 112,423	\$ (453,316)

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

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Pension Plan Obligations (Continued)

B. Law Enforcement Officer's Special Separation Allowance:

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2016, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees receiving benefits	1
Active plan members	18
	19

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

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

Method Used to Value Investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions:

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. For the current year, the Town paid benefits of \$13,457. There were no contributions made to the plan by employees. An actuarial study has not been performed because the annual pension cost is immaterial.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

1. Pension Plan Obligations (Concluded)

C. Supplemental Retirement Income Plan:

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$58,956, which consisted of \$40,163 from the Town and \$18,793 from the law enforcement officers. The Town also contributes 5% of the salary of employees not engaged in law enforcement to this plan.

2. Other Post-employment Benefit

Plan Description – Under the terms of a Town resolution, the Town provides post-employment health care benefits to retirees of the Town (the HCB Plan). The Town pays 50% of premiums for employees retiring at age 55 or later, who have at least ten years of service. The Town pays 100% of premiums for employees retiring at age 55 or later, who have at least fifteen years of service. At age 65, the Town subsidizes a Medicare supplement. The Town obtains health care coverage through private insurers.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	1	1
Active plan members	12	18
	13	19

Funding Policy – The Town has chosen to fund the healthcare benefits on a pay-as-you go basis.

The current ARC rate is 7.27% of annual covered payroll. For the current year, the Town contributed \$6,077 or 0.40% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town's Commissioners.

Summary of Significant Accounting Policies:

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

2. Other Post-employment Benefit (Continued)

Annual OPEB Cost and Net OPEB Obligation:

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

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

Annual required contribution	\$ 117,279
Interest on net OPEB obligation	16,778
Adjustment to annual required contribution	<u>(16,028)</u>
Annual OPEB cost (expense)	118,029
Contributions made	<u>(6,077)</u>
Increase in net OPEB obligation	111,952
Net OPEB obligation, beginning of year	<u>419,460</u>
 Net OPEB obligation, end of year	 <u><u>\$ 531,412</u></u>

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 118,029	5.15%	\$ 531,412
2015	115,049	7.23%	419,460
2014	91,403	11.40%	312,733

Funded Status and Funding Progress:

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$996,757. The covered payroll (annual payroll of active employees covered by the plan) was \$1,527,137, and the ratio of the UAAL to the covered payroll was 65.3 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

2. Other Post-employment Benefit (Concluded)

Actuarial Methods and Assumptions:

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

3. Other Employment Benefits

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

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year and Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	\$ 143,303

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

	Amount
Tax receivable, less penalties (General Fund)	\$ 40,729
Pension Deferrals	347,840

5. Risk Management

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

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

The Town does not carry flood insurance due to the low risk of flooding in its geographical area.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are covered under an employee dishonesty declaration for \$10,000 per occurrence.

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

6. Long-Term Obligations

A. Lease Commitments:

The Town leases the copier, the Town Hall, and police department office space under operating leases. For the year ended June 30, 2016, total lease payments were \$165,851. The following is a schedule of future minimum lease payments required under these leases:

Years Ending June 30		
2017	\$	58,000
2018		58,000
2019		29,000
	\$	145,000

B. Notes Payable:

In December 2105, the Town entered into a loan agreement with BB&T Bank to finance the purchase of the town hall building. The note payable to BB&T has a balance at June 30, 2016 of \$1,425,000 due in annual installments of \$95,000 plus interest at 2.77%. A final payment of all outstanding principal and interest in December 2030. The loan is secured by the property.

In July 2015, the Town entered into a loan agreement with BB&T Bank to finance the purchase of a lot. The note payable to BB&T has a balance at June 30, 2016 of \$266,448 due in annual installments of \$69,789 plus interest at 1.89%. A final payment of all outstanding principal and interest in July 2015. The loan is secured by the property.

In March 2012, the Town entered into a loan agreement with BB&T Bank to finance the purchase of a lot to be used for a future town hall. The note payable to BB&T has a balance at June 30, 2016 of \$51,000 due in annual fixed principal payments of \$51,000 and interest on remaining principal balance of 1.91% from March 2013 through March 2017.

In December 2013, the Town entered into a loan agreement with KS Bank to finance the purchase of vehicles. The note payable has a balance at June 30, 2016 of \$61,253 due in annual installments of \$21,140, including interest at 1.75%.

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

Years Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 229,617	\$ 47,759
2018	180,172	42,598
2019	181,746	38,386
2020	162,224	34,143
2021	163,494	30,242
2022-2026	475,000	105,259
2027-2031	475,000	39,472
	\$ 1,867,253	\$ 337,859

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

6. Long-Term Obligations (Continued)

C. General Obligation Indebtedness:

The Town's general obligation bonds issued to finance the construction of facilities utilized in the operations of the sewer system and which are being retired by its resources, are reported in the Statement of Net Position. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. In agreement with the Transfer Agreement of the Water and Sewer operations between the City of Raleigh and the Town of Rolesville, this debt is paid by the City of Raleigh.

Bonds payable at June 30, 2016, are comprised of the following individual issue:

\$600,000 1994 Sewer bonds due in annual installments
through June 1, 2033; interest at 5.5% \$ 384,500

At June 30, 2016, the Town had no bonds authorized but unissued and a legal debt margin of \$52,223,283.

Annual debt source requirements to maturity for general obligation bonds including interest are as follows:

Years Ending June 30	Principal	Interest	Total
2017	17,500	21,147	38,647
2018	18,500	20,185	38,685
2019	19,500	19,168	38,668
2020	20,500	18,095	38,595
2021	21,500	16,968	38,468
2022-2026	119,000	65,945	184,945
2027-2031	120,000	33,000	153,000
2032-2034	48,000	3,960	51,960
	<u>\$ 384,500</u>	<u>\$ 198,468</u>	<u>\$ 582,968</u>

D. Changes in Long-Term Liabilities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Notes payable	\$ 182,983	\$ 1,755,000	\$ 134,282	\$ 1,803,701	\$ 166,065
General obligation bonds	401,000		16,500	384,500	17,500
Compensated absences	100,233	2,166		102,399	
Other postemployment benefits	419,460	111,952		531,412	
Governmental activity long-term liabilities	<u>\$ 1,103,676</u>	<u>\$ 1,869,118</u>	<u>\$ 150,782</u>	<u>\$ 2,822,012</u>	<u>\$ 183,565</u>

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

6. Long-Term Obligations (Concluded)

E. Fund Balance:

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

Total fund balance--General Fund	\$ 3,754,756
Less: Stabilization by State Statute	500,546
Streets--Powell Bill	500,709
Debt Covenant--USDA	40,368
Police Funds	<u>1,250</u>
Remaining fund balance	<u>\$ 2,711,883</u>

TOWN OF ROLESVILLE
Notes to Financial Statements
June 30, 2016

III. SUMMARY DISCLOSURE OF SIGNIFICANT ACTIVITIES

1. Federal and State Assisted Programs

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

IV. SUBSEQUENT EVENTS

Management of the Town of Rolesville evaluated subsequent events through October 5, 2016, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF ROLESVILLE
 Other Post-Employment Benefits
 Schedule of Funding Progress
 June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ 0	\$ 432,605	\$ 432,605	0.0%	\$ 858,276	50.4%
12/31/2012	\$ 0	\$ 651,321	\$ 651,321	0.0%	\$ 787,720	82.7%
12/31/2015	\$ 0	\$ 996,757	\$ 996,757	0.0%	\$ 1,527,137	65.3%

TOWN OF ROLESVILLE
Other Post-Employment Benefits
Schedule of Employer Contributions
June 30, 2016

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 117,952	5.15%
2015	\$ 115,049	7.23%
2014	\$ 91,403	11.40%

TOWN OF ROLESVILLE
 Other Post-Employment Benefits
 Notes to the Required Schedules
 June 30, 2016

The information presented in the required supplementary schedules was as part actuarial valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	7.75% - 5%
Includes inflation at	3.00%

TOWN OF ROLESVILLE
 Local Government Employees' Retirement System
 Schedule of Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 June 30, 2016

	<u>2016</u>	<u>2015</u>
Rolesville's proportion of the net pension liability (asset) (%)	0.02505%	-0.02420%
Rolesville's proportion of the net pension liability (asset) (\$)	\$ 112,423	\$ (142,719)
Rolesville's covered-employee payroll	\$ 1,533,212	\$ 1,317,493
Rolesville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.33%	-10.83%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%

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

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

TOWN OF ROLESVILLE
 Local Government Employees' Retirement System
 Schedule of Contributions
 Required Supplementary Information
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 106,508	\$ 95,820
Contributions in relation to the contractually required contribution	<u>106,508</u>	<u>95,820</u>
Contributuion deficiency (excess)	<u><u>0</u></u>	<u><u>0</u></u>
 Rolesville's covered-employee payroll	 \$ 1,533,212	 \$ 1,317,493
 Contributions as a percentage of covered-employee payroll	 6.95%	 7.27%

INDIVIDUAL FUND SCHEDULES

TOWN OF ROLESVILLE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Ad valorem taxes:			
Current and prior years	\$ 3,263,360	\$ 3,332,014	\$ 68,654
Other taxes and licenses:			
Wake County sales tax		1,006,642	
Privilege licenses		977	
Total	<u>823,350</u>	<u>1,007,619</u>	<u>184,269</u>
Unrestricted intergovernmental:			
Franchise tax		395,573	
Beer and wine		22,065	
Wake County ABC revenue		24,930	
Court fees		1,965	
Other Intergovernmental		2,514	
Total	<u>295,980</u>	<u>447,047</u>	<u>151,067</u>
Restricted intergovernmental:			
Powell Bill allocation		145,440	
Grants		135,111	
Total	<u>267,247</u>	<u>280,551</u>	<u>13,304</u>
Permits and fees:			
Building permits	<u>46,500</u>	<u>92,706</u>	<u>46,206</u>
Sales and services:			
Recreation fees and concessions		190,122	
Environmental protection fees		585,822	
Total	<u>653,500</u>	<u>775,944</u>	<u>122,444</u>
Investment earnings	<u>330</u>	<u>7,604</u>	<u>7,274</u>
Miscellaneous:			
Miscellaneous		20,672	
Utility fees		38,555	
Zoning and subdivision fees		80,269	
Total	<u>121,575</u>	<u>139,496</u>	<u>17,921</u>
Total revenues	<u>5,471,842</u>	<u>6,082,981</u>	<u>611,139</u>

(Continued)

TOWN OF ROLESVILLE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES:			
General government:			
Governing body:			
Salaries	\$ 54,500	\$ 54,043	\$ 457
Administration:			
Salaries and employee benefits		470,639	
Operating expenses		1,301,525	
Capital outlay		1,800,167	
Total	<u>3,663,674</u>	<u>3,572,331</u>	<u>91,343</u>
Total general government	<u>3,718,174</u>	<u>3,626,374</u>	<u>91,800</u>
Public safety:			
Salaries and employee benefits		1,260,792	
Operating expenses		366,938	
Capital outlay		166,398	
Total	<u>1,854,188</u>	<u>1,794,128</u>	<u>60,060</u>
Recreation:			
Salaries and employee benefits		253,973	
Operating expenses		392,442	
Capital outlay		3,416	
Total	<u>729,088</u>	<u>649,831</u>	<u>79,257</u>
Environmental protection:			
Contracted services	<u>469,730</u>	<u>436,953</u>	<u>32,777</u>
Public works			
Salaries and employee benefits		113,718	
Operating expenses		189,119	
Capital outlay		170,624	
Total	<u>525,030</u>	<u>473,461</u>	<u>51,569</u>

(Continued)

TOWN OF ROLESVILLE
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		150,782	
Interest and other charges		31,650	
Total	<u>187,400</u>	<u>182,432</u>	<u>4,968</u>
Total expenditures	<u>7,483,610</u>	<u>7,163,179</u>	<u>320,431</u>
Revenues over (under) expenditures	\$ <u>(2,011,768)</u>	\$ <u>(1,080,198)</u>	\$ <u>931,570</u>
Other Financing Sources (Uses)			
Loan proceeds		1,755,000	
Transfer to capital project fund		(483,079)	
Total other financing sources (uses)	<u>1,770,000</u>	<u>1,271,921</u>	<u>(498,079)</u>
Appropriated fund balance	<u>241,768</u>		<u>(241,768)</u>
Net change in fund balance	\$ <u><u>0</u></u>	191,723	\$ <u><u>191,723</u></u>
Fund balances--beginning		<u>3,563,033</u>	
Fund balances--ending		\$ <u><u>3,754,756</u></u>	

TOWN OF ROLESVILLE
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Impact fees	\$ 569,400	\$	\$ 516,654	\$ 516,654	\$ (52,746)
Thoroughfare fees			757,964	757,964	757,964
Investment earnings			5,059	5,059	5,059
Total revenues	<u>569,400</u>		<u>1,279,677</u>	<u>1,279,677</u>	<u>710,277</u>
EXPENDITURES:					
Construction	<u>569,400</u>		<u>5,750</u>	<u>5,750</u>	<u>563,650</u>
Total expenditures	<u>569,400</u>		<u>5,750</u>	<u>5,750</u>	<u>563,650</u>
Revenues over expenditures			<u>1,273,927</u>	<u>1,273,927</u>	<u>146,627</u>
Other Financing Sources					
Transfer from general fund			<u>483,079</u>	<u>483,079</u>	<u>(483,079)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>1,757,006</u>	<u>\$</u>	<u>\$</u>
Fund balance--beginning			<u>1,155,660</u>		
Fund balance--ending			<u>\$ 2,912,666</u>		

TOWN OF ROLESVILLE
 Capital Projects Fund – Utility Reserve
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES:					
Impact fees	\$ 328,500	\$	\$ 636,472	\$ 636,472	\$ 307,972
Total revenues	<u>328,500</u>	<u></u>	<u>636,472</u>	<u>636,472</u>	<u>307,972</u>
EXPENDITURES:					
Total expenditures	<u>328,500</u>	<u></u>	<u></u>	<u></u>	<u>(328,500)</u>
Revenues over expenditures	\$ <u>0</u>	\$ <u></u>	636,472	\$ <u>636,472</u>	\$ <u>636,472</u>
Fund balance--beginning			<u>473,293</u>		
Fund balance--ending			\$ <u>1,109,765</u>		

OTHER SCHEDULES

TOWN OF ROLESVILLE
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$	\$ 2,988,602	\$ 2,978,585	\$ 10,017
2014-2015	7,581		7,012	569
2013-2014	2,829		584	2,245
2012-2013	3,815		483	3,332
2011-2012	2,898		62	2,836
2010-2011	2,311		166	2,145
2009-2010	2,303		54	2,249
2008-2009	2,301		44	2,257
2007-2008	2,891		189	2,702
2006 & Prior	12,450		72	12,378
	<u>\$ 39,379</u>	<u>\$ 2,988,602</u>	<u>\$ 2,987,251</u>	<u>\$ 40,730</u>

Reconciliation with revenues:

Ad valorem taxes--General Fund	\$ 3,332,014
Reconciling items:	
Taxes received from	
NC Division of Motor Vehicles	<u>(344,763)</u>
Total collections and credits	<u>\$ 2,987,251</u>

TOWN OF ROLESVILLE
 Analysis of Current Tax Levy
 Town-Wide Levy
 For the Year Ended June 30, 2016

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 680,142,154	.440	\$ 2,988,595	\$ 2,931,845	\$ 56,750
Registered motor vehicles taxed taxed at prior year's rate	1,400	.440	6		6
Total	\$ 680,143,554		2,988,601	2,931,845	56,756
Uncollected taxes at June 30, 2016			(10,016)	(10,010)	(6)
Current year's taxes collected			\$ 2,978,585	\$ 2,921,835	\$ 56,750
Current levy collection percentage			99.66%	99.66%	99.99%

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Rolesville, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Rolesville's basic financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Koonce, Wooten & Hayward, LLP

Raleigh, North Carolina
October 5, 2016