

**TOWN OF WEST JEFFERSON
NORTH CAROLINA
AUDIT REPORT
JUNE 30, 2014**

Priscilla L. Norris, CPA

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TOWN OF WEST JEFFERSON, NORTH CAROLINA

TOWN COUNCIL
AS OF JUNE 30, 2014

Dale Baldwin, Mayor
Calvin Green
Tom Hartman
John K. Reeves
Stephen Shoemaker
Brett Summey

ADMINISTRATIVE & FINANCIAL STAFF
Brantley Price, Town Manager & Tax Collector
Heather Holdaway, Finance Officer

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of Aldermen
Town of West Jefferson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of West Jefferson'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 the financial statements based on our audit. We did not audit the financial statements of the West Jefferson ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the West Jefferson ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The financial statements of the West Jefferson ABC Board and the West Jefferson TDA were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson as of June 30, 2014, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report

of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the Town of West Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 the Town of West Jefferson's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Priscilla L. Norris". The signature is written in black ink and is positioned above a horizontal line.

Priscilla L. Norris, CPA

Jefferson, NC

November 25, 2014

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the Town of West Jefferson, we offer readers of the Town of West Jefferson's financial statements this narrative overview and analysis of the financial activities of the Town of West Jefferson for the fiscal year ended June 30, 2014. 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.

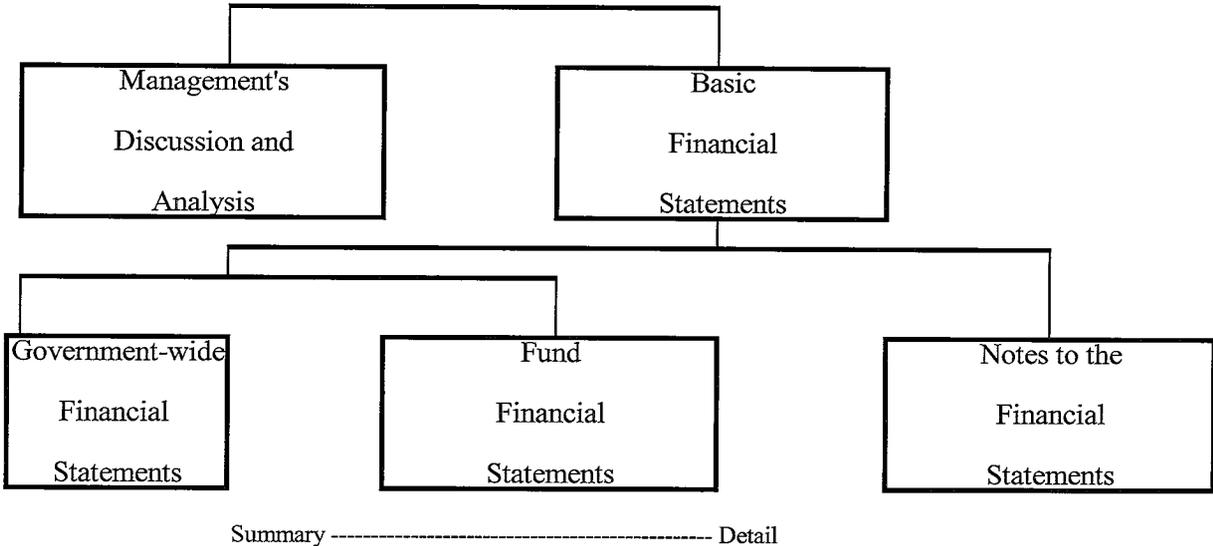
Financial Highlights

- * The assets (and deferred outflows of resources) of The Town of West Jefferson exceeded its liabilities (and deferred inflows of resources) at the close of the fiscal year by \$13,126,672 (net position).
- * The government's total net position increased by \$284,567, due to increases in both governmental activities and business-type activities net positions.
- * As of the close of the current fiscal year, the Town of West Jefferson's governmental funds reported combined ending fund balances of \$2,075,191, which includes a net change of \$234,295 in comparison with the prior year. Approximately 36.9 percent of this total amount, or \$766,443, is non-spendable or restricted.
- * At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,053,324 or 62.8 percent of total general fund expenditures for the fiscal year.
- * The Town of West Jefferson's total debt decreased by \$139,425 (13.6%) during the current fiscal year. The key factor in this decrease was payment of principal.

Overview of the Financial Statements

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

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



Basic Financial Statements

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

TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. 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 to the 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 are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of 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 business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of West Jefferson.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of West Jefferson, 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 West Jefferson can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are 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 West Jefferson adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

Notes to the Financial Statements - The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in Exhibit 9 of this report.

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

Government-Wide Financial Analysis

Town of West Jefferson Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,229,171	\$ 2,173,898	\$ 632,811	\$ 552,595	\$ 2,861,982	\$ 2,726,493
Capital assets	1,903,487	1,942,339	9,383,297	9,456,250	11,286,784	11,398,589
Deferred outflows of resources						
Total assets & deferred outflows of resources	\$ 4,132,658	\$ 4,116,237	\$ 10,016,108	\$ 10,008,845	\$ 14,148,766	\$ 14,125,082
Long-term liabilities outstanding	\$ -	\$ 13,584	\$ 886,722	\$ 1,012,563	\$ 886,722	\$ 1,026,147
Other liabilities	84,554	212,135	38,073	36,828	122,627	248,963
Deferred inflows of resources	12,745	7,867			12,745	7,867
Total liabilities & deferred inflows of resources	\$ 97,299	\$ 233,586	\$ 924,795	\$ 1,049,391	\$ 1,022,094	\$ 1,282,977
Net position:						
Net Investment in capital assets	\$ 1,903,487	\$ 1,928,755	\$ 8,496,576	\$ 8,443,687	\$ 10,400,063	\$ 10,372,442
Restricted	766,443	762,683			766,443	762,683
Unrestricted	1,365,429	1,191,213	594,737	515,767	1,960,166	1,706,980
Total net position	\$ 4,035,359	\$ 3,882,651	\$ 9,091,313	\$ 8,959,454	\$ 13,126,672	\$ 12,842,105

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 West Jefferson exceeded liabilities (and deferred inflows) by \$13,126,672 as of June 30, 2014. The Town's net position increased by \$284,567 for the fiscal year ended June 30, 2014. However, the largest portion (79.23%) 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 West Jefferson uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town of West Jefferson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of West Jefferson's net position

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

\$766,443 (5.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,960,166 is unrestricted.

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

- * West Jefferson's property tax collection rate increased from 95.64% to 96.71%.
- * The new "Tax and Tag" system for vehicle tax collection improved those collections greatly.
- * West Jefferson was the recipient of several state and federal grants.
- * The Town's governmental activities expenses held steady with almost zero change.

**Town of West Jefferson Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 24,366	\$ 19,698	\$ 895,705	\$ 882,587	\$ 920,071	\$ 902,285
Operating grants and contributions	203,992	352,705			203,992	352,705
Capital grants and contributions	70,348		173,000	6,676	243,348	6,676
General revenues:						
Property taxes	1,077,632	1,066,254			1,077,632	1,066,254
Other taxes	11,921	17,510			11,921	17,510
Grants and contributions not restricted to specific programs	510,605	508,822			510,605	508,822
Other	27,910	126,815	2,161	2,441	30,071	129,256
Total revenues	\$ 1,926,774	\$ 2,091,804	\$ 1,070,866	\$ 891,704	\$ 2,997,640	\$ 2,983,508
Expenses:						
General government	\$ 388,991	\$ 375,096	\$ -	\$ -	\$ 388,991	\$ 375,096
Public safety	659,490	689,882			659,490	689,882
Highways/streets	471,169	464,690			471,169	464,690
Economic development	51,506	50,674			51,506	50,674
Environmental protection	94,704	93,305			94,704	93,305
Cultural and recreation	107,918	99,723			107,918	99,723
Interest on long-term debt	288	763			288	763
Water and sewer			939,007	890,358	939,007	890,358
Total expenses	\$ 1,774,066	\$ 1,774,133	\$ 939,007	\$ 890,358	\$ 2,713,073	\$ 2,664,491
Increase in net position before transfers	152,708	317,671	131,859	1,346	284,567	319,017
Transfers (net)		(15,000)		15,000		
Increase in net position	152,708	302,671	131,859	16,346	284,567	319,017
Net position, July 1	3,882,651	3,579,980	8,959,454	8,943,108	12,842,105	12,523,088
Net position, June 30	\$ 4,035,359	\$ 3,882,651	\$ 9,091,313	\$ 8,959,454	\$ 13,126,672	\$ 12,842,105

Governmental activities: Governmental activities increased the Town's net position by \$152,708, which is 53.66% of total growth. Key elements of this increase are steady revenue sources, along with no increase in expenses.

Business-type activities: Business-type activities increased the Town of West Jefferson's net position by \$131,859, thereby accounting for 46.34% of the total growth in the net position of the Town. A portion of this increase is due to federal and state grants of \$173,000 for sewer rehab.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of West Jefferson. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,053,324, while total fund balance reached \$1,969,336. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 62.8 percent of total General Fund expenditures, while total fund balance represents 117.5 percent of that same amount.

At June 30, 2014, the governmental funds of the Town of West Jefferson reported a combined fund balance of \$2,075,191 a 12.7% percent increase from last year. The largest contributor to this increase is an increase in General Fund operations of \$216,287.

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.

Proprietary Fund: The Town of West Jefferson's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$594,737. The total change in net position was \$131,859 (increase). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of West Jefferson's business-type activities.

Capital Asset and Debt Administration

Capital assets: The Town of West Jefferson's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$11,286,784 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- * Sidewalk construction.
- * Vehicle purchased for street department.
- * Vehicle purchased for police department.
- * Equipment for fire department.
- * Heat pump purchased for Town Hall.
- * Land purchased for water/sewer department.
- * Sewer rehabilitation project.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**Town of West Jefferson Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 190,187	\$ 190,187	\$ 140,780	\$ 133,780	\$ 330,967	\$ 323,967
Buildings and system	169,896	175,098	9,113,222	9,160,306	9,283,118	9,335,404
Improvements other than buildings	927,442	896,105			927,442	896,105
Machinery and equipment	130,518	130,239	103,369	110,096	233,887	240,335
Infrastructure						
Vehicles and motorized equipment	485,444	551,710	25,925	34,567	511,369	586,277
Construction in progress				17,500		17,500
Total	\$ 1,903,487	\$ 1,943,339	\$ 9,383,296	\$ 9,456,249	\$ 11,286,783	\$ 11,399,588

Additional information on the Town's capital assets can be found in Note III.A.3 and 6 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2014, the Town of West Jefferson had total debt outstanding of \$886,722. All of this is debt is backed by the full faith and credit of the Town.

**Town of West Jefferson's Outstanding Debt
General Obligation and Revenue Bonds
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment purchase	\$ -	\$ 13,584	\$ 886,722	\$ 1,012,563	\$ 886,722	\$ 1,026,147
Total	\$ -	\$ 13,584	\$ 886,722	\$ 1,012,563	\$ 886,722	\$ 1,026,147

The Town of West Jefferson's debt decreased by \$139,425 (13.6%) during the past fiscal year, primarily due to payment of principal.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of West Jefferson is approximately \$19,000,000.

Additional information regarding the Town of West Jefferson long-term debt can be found in Note III.B.5 of this report.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Economic Factors FY 2013-2014 and FY 2014-2015 Budget and Rates

The following are some of the economic factors and highlights that had an impact on FY 2013-2014.

General Fund

- Continue to pursue and receive past due property taxes - \$75,500 in FY 13-14
- Local Option Sales Tax revenue increased from prior year
- Awarded and reimbursed a \$75,000 RBEG Grant from USDA for Sidewalks - no Town match required
- Increase in Vehicle Taxes due to change in State Law that requires property taxes to be paid when tag is purchased

Water/Sewer

- Small increase in water/sewer revenue - Most buildings are occupied in Town/More accurate meter reading with new touch read system
- \$173,000 - ARC/USDA Grants for sewer rehab project

Budget Highlights for General Fund for the Fiscal Year End June 30, 2015

Revenues

- Property Taxes budgeted flat with no new businesses or industry known to be starting up in West Jefferson
- Local Option Sales Tax was budgeted at a 3.5% increase over FY 13-14
- GF Fund Balance Appropriation for purchase of Old Rescue Squad Building and additional paving

Expenditures

- Group health insurance increased by 7.9% for employee coverage
- No across-the-board pay increase was approved for all employees
- 100 year celebration - \$15,000
- Roof on Town Hall - \$13,000
- Purchased old rescue squad building - \$125,000 = \$100,000 - Town \$25,000 - WJFD
- GE Incentive - \$25,000
- Purchase of new police car - \$48,000
- Salt for roads - \$10,000
- Additional paving funds - \$60,500

Budget Highlights for Park Fund for the Fiscal Year End June 30, 2015

Revenues

- Property Taxes budgeted flat.

Expenditures

- \$5,000 -New lawn mower

Budget Highlights for Water/Sewer Fund for the Fiscal Year End June 30, 2015

Revenues

- No rate increase was budgeted for the Water/Sewer Fund for FY 14-15.
- \$150,000 - Grant/loan for new well
- \$300,000 - Grant/loan for belt press project

Expenditures

- \$30,000 - SCADA for Ray Well
- \$25,000 - New Pickup to replace Ranger
- \$150,000 - New Well
- \$17,000 - Replace pump at Beaver Creek Pump Station
- \$17,000 - Replace BC Pump Station pump
- \$300,000 - Belt Press Project - WWTP
- \$20,000 - Sewer Jetter/Camera

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Requests for information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of West Jefferson, P.O. Box 490, West Jefferson, NC 28694. You can also call (336)246-3551 or visit our website at www.townofwj.com for more information.

**Overview of Component Units
(Discretely Presented)
June 30, 2014**

<u>Name</u>	<u>Date Established</u>	<u>Activity Performed</u>
West Jefferson Tourism Development Authority	July 7, 2005	Promotion of Travel and Tourism
Town of West Jefferson Board of Alcoholic Beverage Control	March 6, 2007	ABC Board

TOWN OF WEST JEFFERSON
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government				
	Governmental	Business-type	Total	Component Units	
	Activities	Activities		WJ ABC	WJTDA
ASSETS					
Current Assets:					
Cash and Cash Equivalent	\$ 1,367,524	\$ 541,560	\$ 1,909,084	\$ 177,427	\$ 65,131
Cash and Cash Equivalents - Restricted	634,048	17,690	651,738		
Inventories				199,752	
Taxes Receivables (net)	80,510		80,510		
Accrued Interest Receivable on Taxes	14,694		14,694		
Account Receivable (net)	1,848	73,561	75,409		
Due from Other Governments	130,547		130,547		8,120
Prepaid Expenses				2,940	
Total Current Assets	<u>2,229,171</u>	<u>632,811</u>	<u>2,861,982</u>	<u>380,119</u>	<u>73,251</u>
Capital Assets:					
Land, Non-Depreciable Improvements, and Construction in Progress	190,187	140,780	330,967	95,614	
Other Capital Assets, Net of Depreciation	1,713,300	9,242,517	10,955,817	406,514	
Total Capital Assets	<u>1,903,487</u>	<u>9,383,297</u>	<u>11,286,784</u>	<u>502,128</u>	
Total Assets	<u>\$ 4,132,658</u>	<u>\$ 10,016,108</u>	<u>\$ 14,148,766</u>	<u>\$ 882,247</u>	<u>\$ 73,251</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable & Accrued Liabilities	38,749	5,506	44,255	70,316	944
Due To Other Governments	7,263		7,263		
Accrued Interest Payable		4,241	4,241		
Compensated Absences	38,523	10,636	49,159		
Payable from Restr Assets - Customer Dep	19	17,690	17,709		
Long-term Liabilities:					
Due Within One Year		110,840	110,840	16,433	
Due In More Than One Year		775,882	775,882	186,206	
Total Liabilities	<u>\$ 84,554</u>	<u>\$ 924,795</u>	<u>\$ 1,009,349</u>	<u>\$ 272,955</u>	<u>\$ 944</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenues	12,745		12,745		
Total Deferred Inflows of Resources	<u>\$ 12,745</u>	<u>\$ -</u>	<u>\$ 12,745</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net Investment in Capital Assets	1,903,487	8,496,576	10,400,063	299,489	
Restricted for:					
Stabilization by State Statute	132,395		132,395		8,120
Public Safety	598,684		598,684		
Transportation	35,364		35,364		
Working Capital				43,998	
Unrestricted	1,365,429	594,737	1,960,166	265,805	64,187
Total Net Position	<u>\$ 4,035,359</u>	<u>\$ 9,091,313</u>	<u>\$ 13,126,672</u>	<u>\$ 609,292</u>	<u>\$ 72,307</u>

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

TOWN OF WEST JEFFERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			COMPONENT UNITS	
					Governmental Activities	Business-Type Activities	Total		WJ ABC BOARD
Primary Government:									
Governmental Activities:									
General Government	\$ 388,991	\$ -	\$ -	\$ -	\$(388,991)	\$ -	\$(388,991)		
Public Safety	659,490	2,729	156,756	-	(500,005)	-	(500,005)		
Transportation	471,169		46,059	70,348	(354,762)		(354,762)		
Economic Development	51,506	765			(50,741)		(50,741)		
Environmental Protection	94,704	16,872	746		(77,086)		(77,086)		
Cultural and Recreation	107,918	4,000	431		(103,487)		(103,487)		
Interest on Long-Term Debt	288				(288)		(288)		
Total Governmental Activities	1,774,066	24,366	203,992	70,348	(1,475,360)		(1,475,360)		
Business-Type Activities:									
Water and Sewer	939,007	895,705		173,000		129,698	129,698		
Total Business-Type Activities	939,007	895,705	-	173,000		129,698	129,698		
Total Primary Government	\$ 2,713,073	\$ 920,071	\$ 203,992	\$ 243,348	\$ (1,475,360)	\$ 129,698	\$ (1,345,662)		
Component Units:									
ABC Board	\$ 1,409,070	\$ 1,480,696						\$ 71,626	
Tourism Development Authority	\$ 45,279	\$ -	\$ -	\$ -				\$ (45,279)	
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					1,077,632		1,077,632		
Other taxes and licenses					11,921		11,921		75,368
Grants and contributions not restricted to specific programs					510,605		510,605		
Unrestricted Investment earnings					7,168	2,161	9,329		290
Miscellaneous					20,742		20,742		
Transfers (net)									
Total general revenues and transfers					1,628,068	2,161	1,630,229		75,658
Change in Net Position									
Net Position- Beginning					152,708	131,859	284,567	71,626	30,379
Net Position- Ending					3,882,651	8,959,454	12,842,105	537,666	41,928
					\$ 4,035,359	\$ 9,091,313	\$ 13,126,672	\$ 609,292	\$ 72,307

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Major Fund General Fund</u>	<u>Total Non - Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 1,261,861	\$ 105,663	\$ 1,367,524
Cash & Cash Equivalents- Restricted	634,048		634,048
Receivables, Net:			
Taxes	76,699	3,811	80,510
Accounts	1,848		1,848
Due from Other Governments	130,116	431	130,547
Due from Other Funds			
Total Assets	<u>\$ 2,104,572</u>	<u>\$ 109,905</u>	<u>\$ 2,214,477</u>
 LIABILITIES			
Accounts Payable & Accrued Liabilities	\$ 38,510	\$ 239	\$ 38,749
Customer Deposit	19		19
Due to Other Governments	7,263		7,263
Total Liabilities	<u>\$ 45,792</u>	<u>\$ 239</u>	<u>\$ 46,031</u>
 DEFERRED INFLOWS OF RESOURCES			
Taxes Receivable	\$ 76,699	\$ 3,811	\$ 80,510
Prepaid Taxes	6,117		6,117
Prepaid Privilege License	6,628		6,628
Total Deferred Inflows of Resources	<u>\$ 89,444</u>	<u>\$ 3,811</u>	<u>\$ 93,255</u>
 FUND BALANCES			
Restricted:			
Stabilization by State Statute	\$ 131,964	\$ 431	\$ 132,395
Public Safety - Police	3,725		3,725
Streets - Powell Bill	35,364		35,364
Public Safety Fire Department	594,959		594,959
Committed:			
For Park Maintenance		83,520	83,520
Assigned:			
Appropriated Fund Balance	150,000		150,000
Cemetery Maintenance		21,350	21,350
Capital Projects		554	554
Unassigned:	<u>1,053,324</u>		<u>1,053,324</u>
Total Fund Balance	<u>\$ 1,969,336</u>	<u>\$ 105,855</u>	<u>\$ 2,075,191</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 2,104,572</u>	<u>\$ 109,905</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total governmental fund balance	\$ 2,075,191
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,903,487
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	14,694
Liabilities for earned but unavailable revenues in fund statements.	80,510
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(38,523)</u>
Net position of governmental activities	<u>\$ 4,035,359</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT 4
PAGE 1 OF 2

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non - Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Ad Valorem Taxes	\$ 1,052,526	\$ 78,334	\$ 1,130,860
Other Taxes & Licenses	11,921		11,921
Unrestricted Intergovernmental	510,605		510,605
Restricted Intergovernmental	269,462		269,462
Permits & Fees	20,366		20,366
Investment Earnings	7,168	431	7,599
Miscellaneous	20,899	8,290	29,189
Total Revenues	<u>\$ 1,892,947</u>	<u>\$ 87,055</u>	<u>\$ 1,980,002</u>
Expenditures			
General Governmental	\$ 383,119	\$ -	\$ 383,119
Public Safety	594,712		594,712
Transportation	537,779		537,779
Economic Development	51,076		51,076
Environmental Protection	94,704		94,704
Cultural & Recreational	1,200	69,047	70,247
Debt Services:			
Principal	13,581		13,581
Interest and Other Charges	489		489
Capital Outlay			
Total Expenditures	<u>\$ 1,676,660</u>	<u>\$ 69,047</u>	<u>\$ 1,745,707</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 216,287</u>	<u>\$ 18,008</u>	<u>\$ 234,295</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	\$ -	\$ -	\$ -
Transfer to Other Funds			
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 216,287	\$ 18,008	\$ 234,295
Fund Balances:			
Beginning of Year, July 1	<u>\$ 1,753,049</u>	<u>\$ 87,847</u>	<u>\$ 1,840,896</u>
End of Year, June 30	<u>\$ 1,969,336</u>	<u>\$ 105,855</u>	<u>\$ 2,075,191</u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT 4
PAGE 2 OF 2

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

Net changes in fund balances - total governmental funds	\$	234,295
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	206,837	
Depreciation expense	<u>(245,689)</u>	(38,852)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(47,493)
Change in accrued interest receivable on taxes		(5,735)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal of long term debt		13,584
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable		(3,289)
Change in accrued interest payable		198

Total change in net position of governmental activities	<u>\$</u>	<u>152,708</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF WEST JEFFERSON, NORTH CAROLINA

EXHIBIT 5

MAJOR FUND - GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 928,550	\$ 1,004,550	\$ 1,052,526	\$ 47,976
Other taxes and licenses	10,100	10,100	11,921	1,821
Unrestricted intergovernmental	499,500	499,500	510,605	11,105
Restricted intergovernmental	240,000	240,000	269,462	29,462
Permits and fees	20,200	20,200	20,366	166
Investment earnings	6,000	6,000	7,168	1,168
Miscellaneous	5,000	17,000	20,899	3,899
Total Revenues	<u>\$ 1,709,350</u>	<u>\$ 1,797,350</u>	<u>\$ 1,892,947</u>	<u>\$ 95,597</u>
Expenditures:				
Current:				
General Government	371,550	500,600	383,119	117,481
Public Safety	674,650	680,250	594,712	85,538
Transportation	539,115	554,180	537,779	16,401
Economic Development	51,960	52,960	51,076	1,884
Environmental Protection	95,800	95,800	94,704	1,096
Cultural and Recreational	2,200	2,200	1,200	1,000
Debt service	14,075	14,075	14,070	5
Contingency				
Total Expenditures	<u>1,749,350</u>	<u>1,900,065</u>	<u>1,676,660</u>	<u>223,405</u>
Revenues over (under) expenditures	<u>\$ (40,000)</u>	<u>\$ (102,715)</u>	<u>\$ 216,287</u>	<u>\$ 319,002</u>
Other financing sources (uses):				
Transfer to other funds				
Transfer from other funds				
Appropriated fund balance	40,000	102,715		(102,715)
Total other financing sources (uses)	<u>40,000</u>	<u>102,715</u>	<u>-</u>	<u>(102,715)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,287</u>	<u>\$ 216,287</u>
Fund balances:				
Beginning of year July 1			<u>1,753,049</u>	
End of year June 30			<u>\$ 1,969,336</u>	

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

EXHIBIT 6

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 541,560
Cash and Cash Equivalents - Restricted	17,690
Accounts Receivable - Net	73,561
Due from Other Governments	
Total Current Assets	<u>\$ 632,811</u>
Capital Assets - Net	<u>\$ 9,383,297</u>
Total Assets	<u><u>\$ 10,016,108</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable/Accrued Liabilities	\$ 5,506
Note Interest Accrued	4,241
Compensated Absences	10,636
Current Portion of Long-Term Notes	110,840
Liabilities Payable from Restricted Assets:	
Customer Deposits	17,690
Total Current Liabilities	<u>\$ 131,223</u>
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Notes	<u>775,882</u>
Total Liabilities	<u><u>\$ 907,105</u></u>

NET POSITION

Net Investment in Capital Assets	\$ 8,496,576
Unrestricted	<u>594,737</u>
Total Net Position	<u><u>\$ 9,091,313</u></u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>ENTERPRISE</u>
Operating Revenues:	
Charges for Services - Water	\$ 469,151
Charges for Services - Sewer	412,597
Water & Sewer Taps	1,370
Other Operating Revenue	12,587
Total Operating Revenue	\$ 895,705
Operating Expenses:	
Water Department	262,573
Sewer Department	352,817
Depreciation	295,517
Total Operating Expenses	\$ 910,907
Operating Income (Loss)	\$ (15,202)
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	2,161
Interest on Long-Term Debt	(28,100)
Income Before Transfers and Capital Contributions	\$ (41,141)
Grants and Other Capital Contributions	
Federal and State Capital Grant	173,000
Transfer From General Fund	
Net Income (Loss)	\$ 131,859
Total Net Position, July 1	8,959,454
Total Net Position, June 30	\$ 9,091,313

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>ENTERPRISE</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 892,137
Cash Paid for Goods and Services	(403,152)
Cash Paid to /for Employees	(212,382)
Customer Deposits Received	8,880
Customer Deposits Returned	(6,960)
Net Cash Provided by Operating Activities	\$ 278,523
Cash Flows from Noncapital Financing Activities:	
Transfer From General Fund	\$ -
Net Cash Received from Noncapital Financing Activities	\$ -
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital (Grants Received)	\$ 173,000
Acquisition of Capital Assets	(222,564)
Principal Paid on Bonds and Equipment Contracts	(125,841)
Interest Paid on Bonds and Equipment Contracts	(28,630)
Net Cash Used by Capital and Related Financing Activities	\$ (204,035)
Cash Flows from Investing Activities:	
Interest on Investments	\$ 2,161
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 76,649
Cash and Cash Equivalents at Beginning of Year	482,601
Cash and Cash Equivalents at End of Year	\$ 559,250
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (15,202)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 295,517
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(3,568)
Increase (Decrease) in Accounts Payable	(351)
Increase (Decrease) in Customer Deposits	1,920
Increase (Decrease) in Compensated Absences	207
Total Adjustments	\$ 293,725
Net Cash Provided by Operating Activities	\$ 278,523

Noncash investing, capital, and financing activities: none.

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of West Jefferson 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 West Jefferson is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The West Jefferson TDA and the West Jefferson ABC Board are presented as if they are separate proprietary funds of the Town (discrete presentation). The discretely presented component units of the Town issue separately audited financial statements, copies of which may be obtained from the Town's finance office at PO Box 490, West Jefferson, NC 28694.

<u>Component Unit</u>	<u>Brief Description of Activities and Relationship to the Town</u>
West Jefferson Tourism Development Authority	The West Jefferson TDA was organized to promote travel and tourism in the Town of West Jefferson. The Town's Board of Aldermen appoints the three member board of the Authority to serve two - year terms. The Authority collects a 3% room occupancy tax in order to promote travel, tourism, and conventions, sponsor tourist - related events and activities, and finance tourist - related capital projects in the Town.
Town of West Jefferson Board of Alcoholic Beverage Control	The ABC Board operates one liquor store, and through its law enforcement division, investigates violations of North Carolina ABC laws. The members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required to distribute its surplus to the General Fund of the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Cemetery Special Revenue Fund - This fund is used to account for cemetery plot sales, used for the care of the municipal cemetery.

Park Special Revenue Fund - This fund is used to account for the care and maintenance of the Town Park which is primarily funded by a percentage of ad valorem taxes.

Capital Project Fund - This fund is used to account for the construction of governmental-type capital projects.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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. Likewise, general revenues include all taxes.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 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 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program.

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, the Park (Special Revenue) Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The Budget Officer may transfer amounts up to \$10,000 between departments within the same fund, but must make an official report to the governing board. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component units 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136 - 41.4. Fire department funds are classified as restricted cash because the funds are mainly from fire tax revenues collected and remitted by the County of Ashe for fire department use only. Police funds are classified as restricted cash because they can only be expended for public safety purposes.

Town of West Jefferson Restricted Cash

Governmental Activities	
General Fund	
Police	\$ 3,725
Streets	35,364
Fire	594,959
Total Governmental Activities	<u>\$ 634,048</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 17,690
Total Business-type Activities	<u>\$ 17,690</u>
Total Restricted Cash	<u>\$ 651,738</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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the Town's General Fund consist of expendable supplies that are recorded as expenditures when purchased. Inventories in the enterprise fund are considered immaterial and, therefore, are recorded as expenditures when purchased. Inventories of the ABC Board are valued at the lower of cost (FIFO) or market.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital asset purchases. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5
Furniture & equipment	10
Computer equipment	3
Computer software	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. 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 until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and prepaid privilege licenses.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town is to assign vacation days at the beginning of the calendar year, based on length of service. All vacation leave must be used by the end of the calendar year. The Town's liability for accumulated earned vacation as of June 30, 2014 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis.

The Town's sick leave policy provides for an accumulation of 120 days of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as 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 balance 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. Nonspendable fund balance was zero at year end.

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

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

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

Restricted for Public Safety - Police - portion of fund balance that is restricted by revenue source for certain law enforcement expenditures.

Restricted for Public Safety - Fire Department - portion of fund balance that is restricted by revenue source for fire department expenditures.

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). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Park Maintenance - portion of fund balance that is committed for the care and maintenance of the municipal park. A portion of ad valorem taxes is budgeted each year for this purpose.

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

Assigned for Capital Projects - portion of fund balance that has been assigned by the Board for governmental fund type capital projects.

Assigned for Cemetery Maintenance - portion of fund balance that has been assigned by the Board for special care and maintenance of the municipal cemetery, funded by cemetery plot sales.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

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

The Town of West Jefferson 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.

II. Stewardship, Compliance, and Accountability

There were no instances of material matters of noncompliance with federal and state General Statute requirements.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for 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 policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount \$2,560,373 and a bank balance of \$2,593,984. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014 the Town's petty cash fund totaled \$450.

2. Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2014</u>
General Fund-Accounts Receivable	\$ 278
Enterprise Fund - Accounts Receivable	21,218
General Fund - Taxes Receivable	20,020
Park Fund - Taxes Receivable	980
Total	<u>\$ 42,496</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 190,187	\$ -	\$ -	\$ 190,187
Construction in progress				
Total capital assets not being depreciated	190,187			190,187
Capital assets being depreciated:				
Building	260,118			260,118
Other improvements	1,382,410	97,940		1,480,350
Equipment	548,819	33,177		581,996
Vehicles and motorized equipment	1,590,585	75,720		1,666,305
Computer equipment	30,902			30,902
Infrastructure				
Total capital assets being depreciated	3,812,834	206,837	-	4,019,671
Less accumulated depreciation for:				
Building	85,020	5,202		90,222
Other improvements	486,305	66,603		552,908
Equipment	418,580	32,898		451,478
Vehicles and motorized equipment	1,039,875	140,986		1,180,861
Computer equipment	30,902			30,902
Infrastructure				
Total accumulated depreciation	2,060,682	245,689	-	2,306,371
Total capital assets being depreciated, net	1,752,152			1,713,300
Governmental activity capital assets, net	\$ 1,942,339			\$ 1,903,487

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

General government	\$ 12,284
Public safety	129,098
Transportation	66,825
Cultural and recreational	37,482
Total depreciation expense	\$ 245,689

Business-type activities:

Water and Sewer Fund

Capital assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 133,780	\$ 7,000	\$ -	\$ 140,780
Construction in progress	17,500		17,500	-
Total capital assets not being depreciated	151,280	7,000	17,500	140,780

Capital assets being depreciated:

Land Improvements	13,074			13,074
Plant and distribution systems	13,445,148	226,432		13,671,580
Furniture and maintenance equipment	587,209	6,632		593,841
Vehicles	89,825		19,098	70,727
Total capital assets being depreciated	14,135,256	233,064	19,098	14,349,222

Less accumulated depreciation for:

Land Improvements	13,074			13,074
Plant and distribution systems	4,284,842	273,516		4,558,358
Furniture and maintenance equipment	477,113	13,359		490,472
Vehicles	55,258	8,642	19,098	44,802
Total accumulated depreciation	4,830,287	295,517	19,098	5,106,706
Total capital assets being depreciated, net	9,304,969			9,242,516

Business-type activities capital assets, net

	\$ 9,456,249			\$ 9,383,296
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Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 95,614	\$ -	\$ -	\$ 95,614
Total capital assets not being depreciated	95,614	-	-	95,614
Capital assets being depreciated:				
Building	292,198	4,466	-	296,664
Building & Improvements	181,747			181,747
Furniture & Equipment	54,277	13,800		68,077
Total capital assets being depreciated	528,222	18,266		546,488
Less accumulated depreciation for :				
Building	22,889	5,993	-	28,882
Building & Improvements	49,262	9,087		58,349
Furniture & Equipment	51,451	1,292		52,743
Total accumulated depreciation	123,602	16,372		139,974
Total capital assets being depreciated, net	404,620			406,514
ABC capital assets, net	\$ 500,234			\$ 502,128

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of West Jefferson contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28% respectively, of annual covered payroll. The contribution requirements of members and of the Town of West Jefferson are established and may be amended by the North Carolina General Assembly. The Town's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$51,449, \$50,266 and \$75,062, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	7
Total	7

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become 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. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

An actuarial study was not performed on this plan because the liability is considered to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income 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 State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or 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 law enforcement officers the year ended June 30, 2014 were \$18,116, which consisted of \$12,571 from the Town and \$5,545 from the law enforcement officers. The Town has also elected to include general employees in the

plan as well. Contributions for general employees for the year ended June 30, 2014 were \$26,498, which consisted of \$23,118 from the Town and \$3,380 from general employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of West Jefferson, to the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. 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. Plan members are required to contribute \$10 per month to the Fund. The Town pays the required contribution for the West Jefferson Fire Department, which totaled \$2,020 for the fiscal year ended June 30, 2014. The State, a nonemployer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Postemployment Benefits

Health Care Benefits

The Town of West Jefferson's health insurance plan only allows for state continuation coverage of up to 18 months after retirement. The Town does not pay for those benefits. Therefore, the Town has no Other Post-employment Benefits.

f. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

The town has no deferred outflows of resources.

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 6,117
Prepaid licenses (General Fund)		6,628
Taxes receivable (General Fund)	76,699	
Taxes receivable (Park Fund)	3,811	
	\$ 80,510	\$ 12,745

3. Commitments

The Town has no commitments for construction as of June 30, 2014.

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for all risks of loss as follows:

Insurance Coverage

Agent: Miller's Insurance Agency

Provider: Employers Mutual Casualty Company

<u>Type</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
Fire on Building	Blanket Building and Personal Property	\$ 11,091,679
Liability	General Aggregate (other than Property)	2,000,000
	Each Occurrence	1,000,000
Equipment Floater	Contractor's Equipment	266,900
Automobile	Liability	1,000,000
Worker's Compensation	Policy applies to the Worker's Comp Laws of NC	500,000

Agent: Miller's Insurance Agency

Provider: RLI Insurance Company

Professional Liability:

Errors/Omissions	Per Occurrence	\$ 1,000,000
	Annual Aggregate	2,000,000

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has no flood insurance. Flood insurance has not been required by lenders thus far. The Town's Finance Officer is bonded for \$50,000, the Town Manager for \$10,000, and the Tax Collector \$10,000.

5. Long Term Debt Obligations

a. Installment Purchases

<u>Serviced by the Water and Sewer Fund</u>	<u>Balance Due</u>
\$1,195,507 Water Pollution Control Revolving Loan due in annual installments of \$59,775 plus interest through May 1, 2022, interest at 2.87%, for a Water Line.	\$ 478,203
\$1,021,299 Drinking Water State Revolving Loan due in annual installments of \$51,065 principal plus interest through May 1, 2022, interest at 2.87%, for a Waste Water Treatment Plant.	408,520
	<u>\$ 886,723</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The future minimum payments on installment purchases as of June 30, 2014 including interest of \$0 on debt presented for governmental activities and \$114,521 on water and sewer debt, are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ -	\$ 110,840	\$ 25,449
2016			110,840	22,268
2017			110,840	19,087
2018			110,840	15,906
2019			110,840	12,724
2020-2024			332,523	19,087
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 886,723</u>	<u>\$ 114,521</u>

b. Changes in Long-Term Liabilities

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchases	\$ 13,584	\$ -	\$ 13,584	\$ -	\$ -
Compensated absences	35,234	25,049	21,760	38,523	38,523
Gov. activities long-term liabilities	<u>\$ 48,818</u>	<u>\$ 25,049</u>	<u>\$ 35,344</u>	<u>\$ 38,523</u>	<u>\$ 38,523</u>
	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current Portion of Balance</u>
Business-type activities:					
Installment purchases	\$ 1,012,563	\$ -	\$ 125,840	\$ 886,723	\$ 110,840
Compensated absences	10,429	7,219	7,012	10,636	10,636
Bus-type activities long-term liabilities	<u>\$ 1,022,992</u>	<u>\$ 7,219</u>	<u>\$ 132,852</u>	<u>\$ 897,359</u>	<u>\$ 121,476</u>

Compensated absences typically have been liquidated in the General Fund.

C. Transfers and Interfund Balances

Transfers to/from Other Funds

There were no transfers between funds during the year ending June 30, 2014, only transfers between departments.

D. 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	\$ 1,969,336
Less:	
Stabilization by State Statute	131,964
Public Safety - Police	3,725
Streets - Powell Bill	35,364
Public Safety - Fire Department	594,959
Appropriated Fund Balance in 2014/2015 budget	150,000
Remaining Fund Balance	1,053,324

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

Subsequent events have been evaluated through the date these financial statements were available to be issued - November 25, 2014.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS

The Town has not had an actuarial valuation performed; therefore, the amount of unfunded pension benefits obligations is not available.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad Valorem Taxes:			
Current Year	\$ -	\$ 954,743	\$ -
Prior Years		76,273	
Penalties and Interest		21,510	
Total	<u>\$ 1,004,550</u>	<u>\$ 1,052,526</u>	<u>\$ 47,976</u>
Other Taxes and Licenses:			
Privilege Licenses	\$ -	\$ 11,921	\$ -
Total	<u>\$ 10,100</u>	<u>\$ 11,921</u>	<u>\$ 1,821</u>
Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ -	\$ 292,875	\$ -
Sales & Use Tax Hold Harmless Payment		8,448	
Telecommunications Tax		23,485	
Utilities Franchise Tax		131,730	
Piped Natural Gas Tax		5,443	
Video Franchise Tax		806	
Beer and Wine Tax		5,818	
ABC Profit Distribution		42,000	
Total	<u>\$ 499,500</u>	<u>\$ 510,605</u>	<u>\$ 11,105</u>
Restricted Intergovernmental Revenues:			
Federal & State Grants	\$ -	\$ 72,000	\$ -
Fire Tax Collections		127,571	
Firefighter's Relief Fund & Grant		18,249	
Police Funds		824	
ABC Revenues for Law Enforcement		4,013	
Powell Bill Allocation		46,059	
Solid Waste Disposal Tax		746	
Total	<u>\$ 240,000</u>	<u>\$ 269,462</u>	<u>\$ 29,462</u>
Permits and Fees:			
Officer Fees	\$ -	\$ 2,729	\$ -
Garbage Fees		16,872	
Planning Fees		765	
Total	<u>\$ 20,200</u>	<u>\$ 20,366</u>	<u>\$ 166</u>
Investment Earnings:			
Investment Earnings	\$ -	\$ 7,168	\$ -
Total	<u>\$ 6,000</u>	<u>\$ 7,168</u>	<u>\$ 1,168</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous:			
Contributions to Fire Department	\$ -	\$ 2,485	\$ -
Other (Fire Dept)		310	
Other		18,104	
Total	\$ 17,000	\$ 20,899	\$ 3,899
Total Revenues	\$ 1,797,350	\$ 1,892,947	\$ 95,597
Expenditures			
General Government			
Administration			
Salaries/Employee Benefits	\$ -	\$ 227,975	\$ -
Operating Expenses		146,995	
Capital Outlay		8,149	
Total General Government	\$ 500,600	\$ 383,119	\$ 117,481
Public Safety			
Police			
Salaries/Employee Benefits	\$ -	\$ 371,461	\$ -
Operating Expenses		94,440	
Capital Outlay		39,227	
Total		505,128	
Fire			
Operating Expenses		64,556	
Capital Outlay		25,028	
Total		89,584	
Total Public Safety	\$ 680,250	\$ 594,712	\$ 85,538
Transportation			
Street Department			
Salaries/Employee Benefits	\$ -	\$ 151,499	\$ -
Operating Expenses		207,900	
Capital Outlay		134,433	
Total		493,832	
Powell Bill			
Operating Expenses		43,947	
Capital Outlay			
Total		43,947	
Total Transportation	\$ 554,180	\$ 537,779	\$ 16,401
Economic Development			

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Planning			
Salaries/Employee Benefits	\$ -	\$ 48,912	\$ -
Operating Expenses		2,164	
Capital Outlay			
Total Economic Development	\$ 52,960	\$ 51,076	\$ 1,884
Environmental Protection			
Sanitation			
Contracted Services	\$ -	\$ 88,704	\$ -
Recycling		6,000	
Total Environmental Protection	\$ 95,800	\$ 94,704	\$ 1,096
Culture and Recreation			
Donation to WJ Lions Club	\$ -	\$ 1,200	\$ -
Other		-	
Total Culture and Recreation	\$ 2,200	\$ 1,200	\$ 1,000
Debt Service			
Principal Retirement		\$ 13,581	\$ -
Interest Expense		489	
Total Debt Service	\$ 14,075	\$ 14,070	\$ 5
Contingency Fund			
Total Expenditures	\$ 1,900,065	\$ 1,676,660	\$ 223,405
Revenues Over (Under) Expenditures	\$ (102,715)	\$ 216,287	\$ 319,002
Other Financing Sources (Uses)			
Appropriated Fund Balance	\$ 102,715	\$ -	\$ (102,715)
Operating Transfers In (Out): To Water and Sewer Fund			
Total Other Financing Sources (Uses)	\$ 102,715	\$ -	\$ (102,715)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 216,287	\$ 216,287
Fund Balance			
Beginning of Year, July 1		1,753,049	
End of Year, June 30		\$ 1,969,336	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINING BALANCE SHEETS
NON - MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Funds</u>			<u>Total Non - Major Governmental Funds</u>
	<u>Park Fund</u>	<u>Cemetery Fund</u>	<u>Capital Projects Fund</u>	
ASSETS				
Cash and Cash Equivalents	\$ 83,759	\$ 21,350	\$ 554	105,663
Receivables (Net):				
Taxes	3,811			3,811
Due from Other Governmental Units	431			431
Total Assets	<u>\$ 88,001</u>	<u>\$ 21,350</u>	<u>\$ 554</u>	<u>\$ 109,905</u>
LIABILITIES				
Accounts Payable	\$ 239	\$ -	\$ -	\$ 239
Due To Other Funds				
Total Liabilities	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Receivable	\$ 3,811	\$ -	\$ -	\$ 3,811
Total Deferred Inflows of Resources	<u>\$ 3,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,811</u>
FUND BALANCES				
Restricted:				
Restricted by State Statute	\$ 431	\$ -	\$ -	\$ 431
Committed:				
For Park Maintenance	83,520			83,520
Assigned:				
Subsequent Year's Expenditures For Cemetery Maintenance		21,350		21,350
Capital Projects			554	554
Total Fund Balance	<u>\$ 83,951</u>	<u>\$ 21,350</u>	<u>\$ 554</u>	<u>\$ 105,855</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 88,001</u>	<u>\$ 21,350</u>	<u>\$ 554</u>	<u>\$ 109,905</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON - MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Non - Major Gov't Funds</u>
	<u>Park Fund</u>	<u>Cemetery Fund</u>		
Revenues:				
Ad Valorem Taxes				
Current Year	\$ 73,862	\$ -	\$ -	\$ 73,862
Prior Years	4,472			4,472
Total	<u>\$ 78,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,334</u>
Restricted Intergovernmental Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investment Earnings	\$ 316	\$ 115	\$ -	\$ 431
Contributions				
Miscellaneous	4,290			4,290
Sale of Plots		4,000		4,000
Total	<u>\$ 4,606</u>	<u>\$ 4,115</u>	<u>\$ -</u>	<u>\$ 8,721</u>
Total Revenues	<u>\$ 82,940</u>	<u>\$ 4,115</u>	<u>\$ -</u>	<u>\$ 87,055</u>
Expenditures:				
Cultural and Recreational				
Salaries/Employee Benefits	\$ 35,550	\$ -	\$ -	\$ 35,550
Operating Expenses	33,497			33,497
Capital Outlay				
Total Cultural and Recreational	<u>\$ 69,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,047</u>
Total Expenditures	<u>\$ 69,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,047</u>
Revenues Over (Under) Expenditures	\$ 13,893	\$ 4,115	\$ -	\$ 18,008
Other Financing Sources (Uses)				
Loan Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ 13,893	\$ 4,115	\$ -	\$ 18,008
Fund Balance:				
Beginning of Year, July 1	<u>70,058</u>	<u>17,235</u>	<u>554</u>	<u>87,847</u>
End of Year, June 30	<u>\$ 83,951</u>	<u>\$ 21,350</u>	<u>\$ 554</u>	<u>\$ 105,855</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SPECIAL REVENUE - PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes			
Current Year	\$ -	\$ 73,862	\$ -
Prior Years		4,472	
Total	<u>\$ 74,600</u>	<u>\$ 78,334</u>	<u>\$ 3,734</u>
Investment Earnings	\$ 500	\$ 316	\$ (184)
Contributions			
Miscellaneous		4,290	4,290
Total	<u>\$ 500</u>	<u>\$ 4,606</u>	<u>\$ 4,106</u>
Total Revenues	<u>\$ 75,100</u>	<u>\$ 82,940</u>	<u>\$ 7,840</u>
Expenditures:			
Cultural and Recreational			
Salaries/Employee Benefits	\$ -	\$ 35,550	\$ -
Operating Expenses		33,497	
Capital Outlay			
Total Expenditures	<u>75,100</u>	<u>69,047</u>	<u>\$ 6,053</u>
Revenues Over (Under) Expenditures	\$ -	\$ 13,893	\$ 13,893
Other Financing Sources (Uses)			
Appropriated Fund Balance			
Excess of Revenues and Other Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 13,893</u>	<u>\$ 13,893</u>
Fund Balance:			
Beginning of Year, July 1		<u>70,058</u>	
End of Year, June 30		<u>\$ 83,951</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FOR THE FISCAL YEAR ENDED, JUNE 30, 2014

Revenues	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services			
Water Charges	\$ 467,000	\$ 469,151	\$ 2,151
Sewer Charges	412,000	412,597	597
Water and Sewer Taps	2,150	1,370	(780)
Total Charges for Services	\$ 881,150	\$ 883,118	\$ 1,968
Other Operating Revenues	500	12,587	12,087
Total Operating Revenues	\$ 881,650	\$ 895,705	\$ 14,055
Nonoperating Revenues			
Interest Earned on Investments	1,500	2,161	661
Total Nonoperating Revenues	\$ 1,500	\$ 2,161	\$ 661
Total Revenues	\$ 883,150	\$ 897,866	\$ 14,716
Expenditures			
Water Department			
Salaries/Employee Benefits	\$ -	\$ 103,029	\$ -
Repair & Maintenance		73,214	
Other Departmental Expenses		86,472	
Capital Outlay			
Total Water Department	\$ 481,150	\$ 262,715	\$ 218,435
Sewer Department			
Salaries/Employee Benefits	\$ -	\$ 109,353	\$ -
Repair & Maintenance		76,077	
Other Departmental Expenses		167,039	
Capital Outlay		222,564	
Total Sewer Department	\$ 605,400	\$ 575,033	\$ 30,367

TOWN OF WEST JEFFERSON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FOR THE FISCAL YEAR ENDED, JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service			
Interest	\$ -	\$ 28,630	\$ -
Debt Principal		125,840	
	<u>\$ 155,100</u>	<u>\$ 154,470</u>	<u>\$ 630</u>
Total Expenditures	<u>\$ 1,241,650</u>	<u>\$ 992,218</u>	<u>\$ 249,432</u>
Revenues Over (Under) Expenditures	<u>\$ (358,500)</u>	<u>\$ (94,352)</u>	<u>\$ 264,148</u>
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ 45,500	\$ -	\$ (45,500)
Loan Proceeds	140,000		(140,000)
State and Federal Grants	173,000	173,000	-
	<u>\$ 358,500</u>	<u>\$ 173,000</u>	<u>\$ (185,500)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 78,648</u>	<u>\$ 78,648</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
Capital Grants (in Capital Projects Fund)		\$ -	
Capital Outlay (not in Capital Project Fund)		222,564	
Debt Principal		125,840	
Depreciation		(295,517)	
(Increase) Decrease in Accrued Interest		531	
(Increase) Decrease in Compensated Absences Payable		(207)	
		<u>\$ 53,211</u>	
Net Income (Loss)		<u>\$ 131,859</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013 - 14	\$ -	\$ 1,076,589	\$ 1,039,065	37,524
2012 - 13	52,791		36,717	16,074
2011 - 12	39,322		25,845	13,477
2010 - 11	26,192		16,074	10,118
2009 - 10	9,768		271	9,497
2008 - 09	7,196		924	6,272
2007 - 08	3,190		493	2,697
2006 - 07	1,901		181	1,720
2005 - 06	2,508		85	2,423
2004 - 05	1,603		(105)	1,708
2003 - 04	2,732		2,732	-
	<u>\$ 147,203</u>	<u>\$ 1,076,589</u>	<u>\$ 1,122,282</u>	<u>\$ 101,510</u>
				Less Allowance for Uncollectible Ad Valorem Taxes Receivable
				<u>\$ (21,000)</u>
				Ad Valorem Taxes Receivable - Net
				<u>\$ 80,510</u>

Reconciliation with Revenues:

Taxes - Ad Valorem - General Fund	\$ 1,052,526
Taxes - Ad Valorem - Special Revenue Fund	78,334
Discounts Allowed	9,021
Adjustments	1,184
Interest Received	(21,510)
Amount Written Off Per Statute of Limitations	2,727
	<u>\$ 1,122,282</u>
Total Collections and Credits	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 245,139,676	.42	\$ 1,029,587	\$ 992,699	\$ 36,888
Property taxed at prior years rate	1,892,720	.42	7,949		7,949
Total original levy	<u>\$ 247,032,396</u>		<u>\$ 1,037,536</u>	<u>\$ 992,699</u>	<u>\$ 44,837</u>
Discoveries:					
Current year's taxes	10,408,505	.42	43,716	43,716	
Total	<u>\$ 257,440,901</u>		<u>\$ 1,081,252</u>	<u>\$ 1,036,415</u>	<u>\$ 44,837</u>
Less Abatements	(1,110,600)		(4,665)	(4,665)	
Total property valuation	<u><u>\$ 256,330,301</u></u>				
Net levy			\$ 1,076,587	\$ 1,031,750	\$ 44,837
Uncollected taxes at June 30, 2014			(37,524)	(33,917)	(3,607)
Current year's taxes collected			<u>\$ 1,039,063</u>	<u>\$ 997,833</u>	<u>\$ 41,230</u>
Current levy collection percentage			<u>96.51%</u>	<u>96.71%</u>	<u>91.96%</u>

Priscilla L. Norris, CPA

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

Independent Auditor's Report

To the Honorable Mayor and
Board of Aldermen
Town of West Jefferson, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of West Jefferson's basic financial statements, and have issued our report thereon dated November 25, 2014. Our report includes a reference to other auditors who audited the financial statements of the West Jefferson ABC Board, as described in our report on the Town of West Jefferson's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the West Jefferson ABC Board and the West Jefferson TDA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (#2014-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of West Jefferson'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*.

Town of West Jefferson's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Priscilla L. Norris". The signature is written in black ink and is positioned above a horizontal line.

Priscilla L. Norris, CPA
Jefferson, North Carolina
November 25, 2014

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
* Significant Deficiency(s) identified that are not considered to be material weakness?	_____ <u>X</u> yes	_____ none reported

Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> no
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Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2014-1 **Inadequate design of internal control over the preparation of financial statements**

Criteria: The Town is responsible for the preparation of financial statements.

Condition: The Town does not prepare its own financial statements.

Effect: The financial statements could contain misstatements.

Cause: The Town's finance staff do not have the experience to draft the financial statements and notes.

Recommendations: The Town needs to weigh the costs versus the benefits of training the finance staff for this function.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Currently, the Town considers that the costs outweigh the benefits of training the finance staff in the preparation of financial statements and notes.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Numbers</u>	<u>State</u> <u>Project</u> <u>Numbers</u>	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>US Department of Agriculture</u>				
Passed through Appalachian Regional Commission:				
Sewer Rehab Grant	10.unknown		\$ 86,500	\$ -
Sidewalk Grant	10.unknown		70,348	
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4		46,059
<u>NC Department of Justice</u>				
Bullet Proof Vest Grant				1,651
<u>Clean Water Management Trust Fund</u>				
Sewer Rehab Grant				86,500
Total Assistance			<u>\$ 156,848</u>	<u>\$ 134,210</u>

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

- The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town of West Jefferson and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.