

**TOWN OF WEST JEFFERSON
NORTH CAROLINA
AUDIT REPORT
JUNE 30, 2016**

Priscilla L. Norris, CPA

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TOWN OF WEST JEFFERSON, NORTH CAROLINA

TOWN COUNCIL
AS OF JUNE 30, 2016

Dale Baldwin, Mayor
Calvin Green
Jerry McMillan
John K. Reeves
Stephen Shoemaker
Brett Summey

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2016

FINANCIAL SECTION

EXHIBIT

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet - Governmental Funds 3

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds 4

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Major Funds - Budget and Actual 5

Statement of Net Position - Proprietary Funds 6

Statement of Revenues, Expenses, and Changes in Net Position -
All Proprietary Fund Types 7

Statement of Cash Flows - Proprietary Funds 8

Notes to the Financial Statements 9

Required Supplemental Financial Data:

Law Enforcement Officers' Special Separation Allowance -
Schedule of Funding Progress A-1

Schedule of the Proportionate Share of the Net Pension Liability (Asset) -
Local Government Employees' Retirement System A-2

Schedule of Pension Contributions - Local Government
Employees' Retirement System A-3

TOWN OF WEST JEFFERSON, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2016

Individual Fund Statements and Schedules:

EXHIBIT

General Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	B-1
---	-----

Non - Major Governmental Funds:

Combining Balance Sheet for Non - Major Governmental Funds	C-1
--	-----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non - Major Governmental Funds	C-2
--	-----

*Schedules of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual :*

Special Revenue - Park Fund	D-1
-----------------------------	-----

Capital Project - Streetscapes	D-2
--------------------------------	-----

Enterprise - Water & Sewer Fund	D-3
---------------------------------	-----

Enterprise - Water & Sewer Capital Projects	D-4
---	-----

OTHER SCHEDULES

Schedule of Ad Valorem Taxes Receivable	E-1
---	-----

Analysis of Current Tax Levy	E-2
------------------------------	-----

Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	
--	--

Report on Compliance For Each Major State Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	
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Schedule of Findings and Questioned Costs	
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Schedule of Expenditures of Federal and State Awards	
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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, 2016, 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, 2016, 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

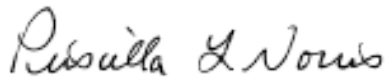
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule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

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 23, 2016, 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.



Priscilla L. Norris, CPA
Jefferson, NC
November 23, 2016

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

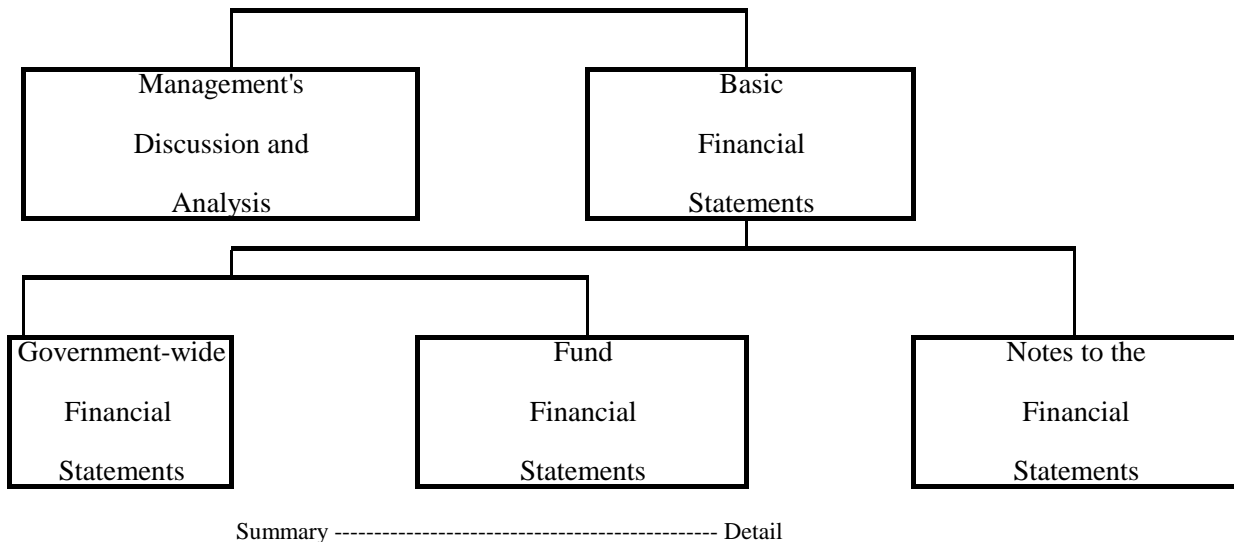
Financial Highlights

- * The assets (and deferred outflows of resources) of The Town of West Jefferson exceeded its liabilities (and deferred inflows of resources) at the close of the fiscal year by \$13,889,417 (net position).
- * The government's total net position increased by \$668,366, 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 \$2,140,369, which includes a net change of (\$43,678) in comparison with the prior year. Approximately 56.39 percent of this total amount, or \$1,207,016, is non-spendable or restricted.
- * At the end of the current fiscal year, unassigned fund balance for the General Fund was \$906,138 or 36.10 percent of total general fund expenditures for the fiscal year.
- * The Town of West Jefferson's total debt increased by \$11,660 (1.5%) during the current fiscal year. The key factors in this increase were payment of principal of \$110,840, and a new loan of \$122,500.

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.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 accordance with Uniform Guidance and the State 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, 2016**

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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,272,822	\$ 2,379,925	\$ 1,056,009	\$ 836,768	\$ 3,328,831	\$ 3,216,693
Capital assets	2,664,389	1,942,539	8,927,366	9,141,611	11,591,755	11,084,150
Deferred outflows of resources	37,917	45,230	10,231	9,658	48,148	54,888
Total assets & deferred outflows of resources	\$ 4,975,128	\$ 4,367,694	\$ 9,993,606	\$ 9,988,037	\$ 14,968,734	\$ 14,355,731
Long-term liabilities outstanding	\$ 173,782	\$ -	\$ 678,880	\$ 775,882	\$ 852,662	\$ 775,882
Other liabilities	133,257	76,522	46,665	54,693	179,922	131,215
Deferred inflows of resources	37,519	196,931	9,214	27,770	46,733	224,701
Total liabilities & deferred inflows of resources	\$ 344,558	\$ 273,453	\$ 734,759	\$ 858,345	\$ 1,079,317	\$ 1,131,798
Net position:						
Net Investment in capital assets	\$ 2,541,889	\$ 1,942,539	\$ 8,262,324	\$ 8,365,729	\$ 10,804,213	\$ 10,308,268
Restricted	1,207,016	872,177			1,207,016	872,177
Unrestricted	881,665	1,279,525	996,523	763,963	1,878,188	2,043,488
Total net position	\$ 4,630,570	\$ 4,094,241	\$ 9,258,847	\$ 9,129,692	\$ 13,889,417	\$ 13,223,933

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 \$13,889,417 as of June 30, 2016. The Town's net position increased by \$668,366 for the fiscal year ended June 30, 2016. However, the largest portion (77.79%) 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 \$1,207,016 (8.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,878,188 is unrestricted.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 98.12% to 98.53%, for property other than vehicles.
- * The Town received \$380,000 in Federal & State grants for a Streetscapes project, the assets of which have been capitalized.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 25,455	\$ 27,190	\$ 963,895	\$ 929,543	\$ 989,350	\$ 956,733
Operating grants and contributions	686,858	208,112	-	-	686,858	208,112
Capital grants and contributions	445,000	25,000	73,970	-	518,970	25,000
General revenues:						
Property taxes	1,036,524	1,075,269	-	-	1,036,524	1,075,269
Other taxes	-	10,136	-	-	-	10,136
Grants and contributions not restricted to specific programs	601,129	601,157	-	-	601,129	601,157
Other	22,825	34,358	4,836	3,333	27,661	37,691
Total revenues	\$ 2,817,791	\$ 1,981,222	\$ 1,042,701	\$ 932,876	\$ 3,860,492	\$ 2,914,098
Expenses:						
General government	\$ 385,642	\$ 386,599	\$ -	\$ -	\$ 385,642	\$ 386,599
Public safety	645,437	710,579	-	-	645,437	710,579
Highways/streets	519,778	464,402	-	-	519,778	464,402
Economic development	534,857	61,080	-	-	534,857	61,080
Environmental protection	94,702	94,702	-	-	94,702	94,702
Cultural and recreation	106,106	97,716	-	-	106,106	97,716
Interest on long-term debt	1,148	-	-	-	1,148	-
Water and sewer	-	-	904,456	878,427	904,456	878,427
Total expenses	\$ 2,287,670	\$ 1,815,078	\$ 904,456	\$ 878,427	\$ 3,192,126	\$ 2,693,505
Increase in net position before transfers	530,121	166,144	138,245	54,449	668,366	220,593
Net Position, July 1, as previously stated	4,094,241	4,035,359	9,129,692	9,091,313	13,223,933	13,126,672
Restatement	6,208	(107,262)	(9,090)	(16,070)	(2,882)	(123,335)
Net position, July 1 Restated	4,100,449	3,928,097	9,120,602	9,075,243	13,221,051	13,003,340
Net position, June 30	\$ 4,630,570	\$ 4,094,241	\$ 9,258,847	\$ 9,129,692	\$ 13,889,417	\$ 13,223,933

Governmental activities: Governmental activities increased the Town's net position by \$530,121 is 79.32% of total growth. Key elements of this increase are steady revenue sources, plus federal and state grants for Streetscapes.

Business-type activities: Business-type activities increased the Town of West Jefferson's net position by \$138,245, thereby accounting for 20.68% of the total growth in the net position of the Town. A key element of this increase is State grants for water & sewer improvements of \$73,970.

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.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$906,138, while total fund balance reached \$1,960,134. 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 66.10 percent of total General Fund expenditures, while total fund balance represents 78.08 percent of that same amount.

At June 30, 2016, the governmental funds of the Town of West Jefferson reported a combined fund balance of \$2,140,369 a 2.04 percent decrease from last year. The largest contributor to this decrease is a decrease in General Fund operations of \$95,421.

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 \$996,523. The total change in net position was \$138,245 (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, 2016, totals \$11,591,755 (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:

- * Land for \$122,500 was purchased for a new parking lot.
- * Construction was completed on the Streetscapes project at 2nd Street and Jefferson Ave.
- * Vehicle purchased for police department.
- * New Public Bathrooms were constructed.
- * A storm drain was added at the Theater & Ashe Co. Cheese.
- * A new metal building for maintenance department.
- * Construction on Dewatering project.
- * Construction began on water & sewer improvements on Burkett and Graybeal Avenues.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Town of West Jefferson Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 399,187	\$ 276,687	\$ 140,780	\$ 140,780	\$ 539,967	\$ 417,467
Buildings and system	453,917	269,987	8,567,470	8,839,706	9,021,387	9,109,693
Improvements other than buildings	1,433,556	890,824	-	-	1,433,556	890,824
Machinery and equipment	69,794	98,573	113,952	133,022	183,746	231,595
Infrastructure						
Vehicles and motorized equipment	307,935	381,468	8,641	17,283	316,576	398,751
Construction in progress	-	25,000	96,520	10,820	96,520	35,820
Total	\$ 2,664,389	\$ 1,942,539	\$ 8,927,363	\$ 9,141,611	\$ 11,591,752	\$ 11,084,150

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, 2016, the Town of West Jefferson had total debt outstanding of \$787,542. 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	
	2016	2015	2016	2015	2016	2015
Installment purchase	\$ 122,500	\$ -	\$ 665,042	\$ 775,881	\$ 787,542	\$ 775,881
Total	\$ 122,500	\$ -	\$ 665,042	\$ 775,881	\$ 787,542	\$ 775,881

The Town of West Jefferson's debt increased by \$11,661 (1.48%) during the past fiscal year, due to payment of principal of \$11,840 and new debt of \$122,500.

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 just under \$20,000,000.

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, 2016**

Economic Factors FY 2015-2016 and FY 2016-2017 Budget and Rates

The following are some of the economic factors and highlights that had an impact on FY 2015-2016 Budget & Rates.

General Fund

- Continued to pursue and receive past due property taxes.
- Local Option Sales Tax revenue increased from prior year by approximately 5.6% - a portion of the increase is due to the change in the state sales tax laws.
- Utility Franchise Tax increased by approximately 1%
- Received Building Reuse Grant of \$500,000 for GE expansion
- Received loan proceeds for \$122,500 for purchase of lot
- Actual Fund Balance Appropriation Approximately - \$100,000 -
- Extraordinary Items:
 - additional paving - \$66,200
 - pave town gravel lot - \$30,500
 - construct public restrooms - \$175,500
 - purchase lot to add downtown parking \$122,500 - County contributed \$60,000 and Christmas in July contributed \$5,000 to assist in paving the lot & storm drain work
 - additional streetscape improvements - downtown revitalization

Water/Sewer

- Approximately 2% increase in water/sewer revenue - Most buildings are occupied plus there is an increase in local manufacturing with GE doubling the size of their facility and adding additional jobs.

Budget Highlights for General Fund for the Fiscal Year End June 30, 2017
General Fund

Revenues

- Property Taxes - The property tax rate will remain at \$0.42
- Sales Tax - NCLM projects 3.5% increase over FY 15-16
- Utility Franchise tax distribution will be flat compared to prior year
- \$5,000 from Fund Balance to balance the budget
- \$41,000 - loan for track hoe

Expenditures

Group health insurance will decrease by 0.5% for FY 16-17, with employee coverage to remain the same as in FY 15-16, with the Town continuing to pay 100% of the employees' cost.

A 1% Cost of Living Adjustment for all employees.

Significant budget items in the General Fund worth noting include:

- 7,200 - Increase Board/Mayor allowance
- \$30,000 - Attorney
- \$3,000 - Facade Grants
- \$3,000 - ALP - Ordinance update
- \$25,000 - 3rd GE Incentive Payment
- \$24,500 - Short Term Debt for purchase of land for new parking lot
- \$3,100 - Short Term Interest for land purchase
- 60,000 - Purchase for new police car with equipment
- \$10,000 - Salt for roads during winter months
- \$50,000 - Additional paving funds

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

- \$20,000 - Sidewalk Repair
- \$10,000 - Add power to bumpouts
- \$3,000 - Increase of Fire Department Contribution

General Fund Capital Budget

- \$489,500 - Jefferson Ave/2nd St Project
- DOT Funds - \$250,000 - Streetscape Improvements Jefferson Ave & 2nd St - (only budgeted in case project not complete - project completed June 2016)

Parks

Revenues

Property Taxes comprise the majority of Park Revenues, which is 3 cents of the 42 cents per one hundred dollars in valuation.

Fund Balance Appropriation of \$10,000 to balance budget.

Expenditures

Significant budget items in the Park worth noting include:

- \$6,000 - Trash Cans
- \$5,000 - Gator, split cost with water department
- \$6,000 - New Mower

Powell Bill

Revenues

Powell Bill revenues are disbursed by the State to the Town into two distributions, one in October and one in January of each year based on a formula which is based upon population and miles of Town-maintained roads. Revenues are budgeted the same as FY 15-16 actual.

Expenditures

We intend to prioritize our street resurfacing of Town streets by those in most need of resurfacing.

Water and Sewer Fund

Revenues

Revenues in Water/Sewer are budgeted flat compared to FY 15-16

Capital Water Budget - New Well, extend water lines

ARC-\$100,000
USDA (loan) - \$80,000
Town - \$57,000

Capital Sewer Budget - Dewatering project at WWTP, extend sewer lines

ARC - \$200,000
USDA (loan) - \$300,000
Town - \$114,000

CDBG Grant - Water/sewer replacement Burkett/Graybeal Ave

Water - \$504,455
Sewer - \$157,100

Expenditures

Significant budget items in the Water/Sewer worth noting include:

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

- \$237,000 - Capital Budget Water - new well. Extend water lines
- \$614,000 - Capital Budget Sewer - Dewatering project extend sewer lines
- \$25,000 - purchase 2" meters
- \$20,000 - Parts Filter Plant
- \$10,000 - replace water modules
- \$5,000 - Gator, split with Park
- \$504,455 - CDBG water line replacement
- \$25,000 - For future replacement of meters & upgrade to radio read
- \$24,850 - Water Contingency Fund
- \$9,000 - Replacement pump Beaver Creek Pump Station
- \$7,000 - New lawn mower
- \$157,000 - CBDG, Sewer replacement Burkett
- \$15,000 - Belt press rental if dewatering project has not been installed.

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, 2015**

<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, 2016

	<u>Primary Government</u>				
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component Units</u>	
	<u>Activities</u>	<u>Activities</u>		<u>WJ ABC</u>	<u>WJTDA</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalent	\$ 1,111,600	\$ 882,556	\$ 1,994,156	\$ 124,807	\$ 43,268
Cash and Cash Equivalents - Restricted	808,341	25,072	833,413		
Inventories				182,420	
Taxes Receivables (net)	29,165		29,165		
Accrued Interest Receivable on Taxes	7,569		7,569		
Account Receivable (net)	8,062	86,861	94,923		
Due from Other Governments	308,085	61,520	369,605		15,623
Prepaid Expenses				4,263	
Total Current Assets	<u>2,272,822</u>	<u>1,056,009</u>	<u>3,328,831</u>	<u>311,490</u>	<u>58,891</u>
Capital Assets:					
Land, Non-Depreciable Improvements, and Construction in Progress	399,187	237,300	636,487	95,614	
Other Capital Assets, Net of Depreciation	2,265,202	8,690,066	10,955,268	382,044	
Total Capital Assets	<u>2,664,389</u>	<u>8,927,366</u>	<u>11,591,755</u>	<u>477,658</u>	
Total Assets	<u>\$ 4,937,211</u>	<u>\$ 9,983,375</u>	<u>\$ 14,920,586</u>	<u>\$ 789,148</u>	<u>\$ 58,891</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows for Pensions	\$ 37,917	\$ 10,231	\$ 48,148	\$ 14,912	\$ -
LIABILITIES					
Current Liabilities:					
Accounts Payable & Accrued Liabilities	76,704	6,164	82,868	66,918	574
Due To Other Governments	15,623		15,623		
Accrued Interest Payable	1,148	3,181	4,329		
Compensated Absences	39,763	12,248	52,011		
Payable from Restr Assets - Customer Dep	19	25,072	25,091		
Long-term Liabilities:					
Net Pension Liability	51,282	13,838	65,120	3,454	
Due Within One Year	24,500	110,840	135,340	-	
Due In More Than One Year	98,000	554,202	652,202	-	
Total Liabilities	<u>\$ 307,039</u>	<u>\$ 725,545</u>	<u>\$ 1,032,584</u>	<u>\$ 70,372</u>	<u>\$ 574</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows for Pensions	\$ 34,146	\$ 9,214	\$ 43,360	\$ 1,798	
Unearned Revenues	3,373		3,373		
Total Deferred Inflows of Resources	<u>\$ 37,519</u>	<u>\$ 9,214</u>	<u>\$ 46,733</u>	<u>\$ 1,798</u>	<u>\$ -</u>
NET POSITION					
Net Investment in Capital Assets	2,541,889	8,262,324	10,804,213	477,658	
Restricted for:					
Stabilization by State Statute	398,676		398,676		15,623
Public Safety	771,033		771,033		
Transportation	37,307		37,307		
Working Capital				48,403	
Unrestricted	881,665	996,523	1,878,188	205,829	42,694
Total Net Position	<u>\$ 4,630,570</u>	<u>\$ 9,258,847</u>	<u>\$ 13,889,417</u>	<u>\$ 731,890</u>	<u>\$ 58,317</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, 2016

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			COMPONENT UNITS	
					Governmental Activities	Business-Type Activities	Total	WJ ABC BOARD	WJTDA
Primary Government:									
Governmental Activities:									
General Government	\$ 385,642	\$ -	\$ -	\$ -	\$ (385,642)	\$ -	\$ (385,642)		
Public Safety	645,437	1,975	139,348		(504,114)		(504,114)		
Transportation	519,778		46,024	445,000	(28,754)		(28,754)		
Economic Development	534,857	1,255	500,000		(33,602)		(33,602)		
Environmental Protection	94,702	17,467	853		(76,382)		(76,382)		
Cultural and Recreation	106,106	4,758	633		(100,715)		(100,715)		
Interest on Long-Term Debt	1,148				(1,148)		(1,148)		
Total Governmental Activities	<u>2,287,670</u>	<u>25,455</u>	<u>686,858</u>	<u>445,000</u>	<u>(1,130,357)</u>		<u>(1,130,357)</u>		
Business-Type Activities:									
Water and Sewer	904,456	963,895		73,970		133,409	133,409		
Total Business-Type Activities	<u>904,456</u>	<u>963,895</u>	<u>-</u>	<u>73,970</u>		<u>133,409</u>	<u>133,409</u>		
Total Primary Government	<u>\$ 3,192,126</u>	<u>\$ 989,350</u>	<u>\$ 686,858</u>	<u>\$ 518,970</u>	<u>\$ (1,130,357)</u>	<u>\$ 133,409</u>	<u>\$ (996,948)</u>		
Component Units:									
ABC Board	<u>\$ 1,558,636</u>	<u>\$ 1,637,597</u>						<u>\$ 78,961</u>	
Tourism Development Authority	<u>\$ 64,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					<u>\$ (64,494)</u>
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					1,036,524		1,036,524		
Other taxes and licenses					-		-		56,290
Grants and contributions not restricted to specific programs					601,129		601,129		
Unrestricted Investment earnings					6,822	4,836	11,658		444
Miscellaneous					16,003		16,003		771
Transfers (net)									
Total general revenues and transfers					<u>1,660,478</u>	<u>4,836</u>	<u>1,665,314</u>		<u>57,505</u>
Change in Net Position					<u>530,121</u>	<u>138,245</u>	<u>668,366</u>	<u>78,961</u>	<u>(6,989)</u>
Net Position- Beginning, Previously Reported					4,094,421	9,129,692	13,223,933	652,929	65,306
Restatement					6,208	(9,090)	(2,882)	-	
Net Position- Beginning, Restated					<u>4,100,449</u>	<u>9,120,602</u>	<u>13,221,051</u>	<u>652,929</u>	<u>65,306</u>
Net Position- Ending					<u>\$ 4,630,570</u>	<u>\$ 9,258,847</u>	<u>\$ 13,889,417</u>	<u>\$ 731,890</u>	<u>\$ 58,317</u>

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, 2016

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 974,387	\$ 137,213	\$ 1,111,600
Cash & Cash Equivalents- Restricted	808,341		808,341
Receivables, Net:			
Taxes	28,126	1,039	29,165
Accounts	8,062		8,062
Due from Other Governments	150,065	158,020	308,085
Due from Other Funds	82,529		82,529
Total Assets	<u>\$ 2,051,510</u>	<u>\$ 296,272</u>	<u>\$ 2,347,782</u>
LIABILITIES			
Accounts Payable & Accrued Liabilities	\$ 44,235	\$ 32,469	\$ 76,704
Customer Deposit	19		19
Due to Other Governments	15,623		15,623
Due to Other Funds		82,529	82,529
Total Liabilities	<u>\$ 59,877</u>	<u>\$ 114,998</u>	<u>\$ 174,875</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Receivable	\$ 28,126	\$ 1,039	\$ 29,165
Prepaid Taxes	3,178		3,178
Prepaid Privilege License	195		195
Total Deferred Inflows of Resources	<u>\$ 31,499</u>	<u>\$ 1,039</u>	<u>\$ 32,538</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	\$ 240,656	\$ 158,020	\$ 398,676
Public Safety - Police	5,318		5,318
Streets - Powell Bill	37,307		37,307
Public Safety Fire Department	765,715		765,715
Committed:			
For Park Maintenance		113,936	113,936
Assigned:			
Appropriated Fund Balance	5,000		5,000
Cemetery Maintenance		22,568	22,568
Capital Projects		(114,289)	(114,289)
Unassigned:	906,138		906,138
Total Fund Balance	<u>\$ 1,960,134</u>	<u>\$ 180,235</u>	<u>\$ 2,140,369</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 2,051,510</u>	<u>\$ 296,272</u>	

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, 2016

EXHIBIT 3
PAGE 2 OF 2

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

Total governmental fund balance	\$ 2,140,369
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,664,389
Net Pension Liability	(51,282)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the Statement of Net Position.	37,917
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	7,569
Liabilities for earned but unavailable revenues in fund statements.	29,165
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.	(163,411)
Pension Related Deferrals	<u>(34,146)</u>
Net position of governmental activities	<u>\$ 4,630,570</u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT 4
PAGE 1 OF 2

	<u>Major Fund General Fund</u>	<u>Total Non - Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad Valorem Taxes	\$ 997,992	\$ 75,485	\$ 1,073,477
Unrestricted Intergovernmental	601,129		601,129
Restricted Intergovernmental	680,727	380,000	1,060,727
Permits & Fees	20,697		20,697
Investment Earnings	6,822	633	7,455
Miscellaneous	86,501	4,758	91,259
Total Revenues	<u>\$ 2,393,868</u>	<u>\$ 460,876</u>	<u>\$ 2,854,744</u>
Expenditures			
General Governmental	\$ 496,660	\$ -	\$ 496,660
Public Safety	581,193		581,193
Transportation	800,301	438,570	1,238,871
Economic Development	536,433		536,433
Environmental Protection	94,702		94,702
Cultural & Recreational	1,000	72,063	73,063
Debt Services:			
Principal			
Interest and Other Charges			
Capital Outlay			
Total Expenditures	<u>\$ 2,510,289</u>	<u>\$ 510,633</u>	<u>\$ 3,020,922</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (116,421)</u>	<u>\$ (49,757)</u>	<u>\$ (166,178)</u>
Other Financing Sources (Uses)			
Loan Proceeds	\$ 122,500	\$ -	\$ 122,500
Transfer to Other Funds	(101,500)	101,500	-
Total Other Financing Sources (Uses)	<u>\$ 21,000</u>	<u>\$ 101,500</u>	<u>\$ 122,500</u>
Net Change in Fund Balances	\$ (95,421)	\$ 51,743	\$ (43,678)
Fund Balances:			
Beginning of Year, July 1	<u>\$ 2,055,555</u>	<u>\$ 128,492</u>	<u>\$ 2,184,047</u>
End of Year, June 30	<u>\$ 1,960,134</u>	<u>\$ 180,235</u>	<u>\$ 2,140,369</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, 2016

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	\$	(43,678)
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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	975,404	
Depreciation expense	<u>(253,554)</u>	721,850

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	37,917
--	--------

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

Increase (Decrease) in unavailable revenue for tax revenues	(30,560)
Increase (Decrease) in accrued interest receivable on taxes	(6,393)

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.

Issuance of principal of long term debt	(122,500)
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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.

(Increase) Decrease in compensated absences payable	568
(Increase) Decrease in accrued interest payable	(1,148)
Pension expense	(25,935)
Total change in net position of governmental activities	<u>\$ 530,121</u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 5

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Ad valorem taxes	\$ 924,950	\$ 958,450	\$ 997,992	\$ 39,542
Unrestricted intergovernmental	552,000	552,000	601,129	49,129
Restricted intergovernmental	684,000	689,580	680,727	(8,853)
Permits and fees	23,600	23,600	20,697	(2,903)
Investment earnings	3,500	3,500	6,822	3,322
Miscellaneous	10,000	82,125	86,501	4,376
Total Revenues	<u>\$ 2,198,050</u>	<u>\$ 2,309,255</u>	<u>\$ 2,393,868</u>	<u>\$ 84,613</u>
Expenditures:				
Current:				
General Government	395,200	521,600	496,660	24,940
Public Safety	675,350	660,455	581,193	79,262
Transportation	687,700	835,400	800,301	35,099
Economic Development	563,300	536,300	536,433	(133)
Environmental Protection	95,300	95,300	94,702	598
Cultural and Recreational	2,200	2,200	1,000	1,200
Debt service				
Contingency	54,000	54,000		54,000
Total Expenditures	<u>2,473,050</u>	<u>2,705,255</u>	<u>2,510,289</u>	<u>194,966</u>
Revenues over (under) expenditures	<u>\$ (275,000)</u>	<u>\$ (396,000)</u>	<u>\$ (116,421)</u>	<u>\$ 279,579</u>
Other financing sources (uses):				
Transfer to other funds		(101,500)	(101,500)	-
Loan Proceeds		122,500	122,500	-
Appropriated fund balance	275,000	375,000		(375,000)
Total other financing sources (uses)	<u>275,000</u>	<u>396,000</u>	<u>21,000</u>	<u>(375,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,421)</u>	<u>\$ (95,421)</u>
Fund balances:				
Beginning of year July 1			2,055,555	
End of year June 30			<u>\$ 1,960,134</u>	

The 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, 2016

EXHIBIT 6

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 882,556
Cash and Cash Equivalents - Restricted	25,072
Accounts Receivable - Net	86,861
Due from Other Governments	61,520
Total Current Assets	1,056,009

Noncurrent Assets

Capital Assets - Net	8,927,366
Total Noncurrent Assets	8,927,366

Total Assets	\$ 9,983,375
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DEFERRED OUTFLOWS OF RESOURCES

Contributions to Pension Plan	\$ 10,231
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LIABILITIES

Current Liabilities

Accounts Payable/Accrued Liabilities	\$ 6,164
Note Interest Accrued	3,181
Compensated Absences	12,248
Current Portion of Long-Term Notes	110,840
Liabilities Payable from Restricted Assets:	
Customer Deposits	25,072
Total Current Liabilities	157,505

Noncurrent Liabilities

Net Pension Liabilities	13,838
Noncurrent Portion of Long-Term Notes	554,202
Total Noncurrent Liabilities	568,040

Total Liabilities	\$ 725,545
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DEFERRED INFLOWS OF RESOURCES

Pension Deferrals	\$ 9,214
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NET POSITION

Net Investment in Capital Assets	\$ 8,262,324
Unrestricted	996,523

Total Net Position	\$ 9,258,847
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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, 2016

	<u>ENTERPRISE</u>
Operating Revenues:	
Charges for Services - Water	\$ 508,843
Charges for Services - Sewer	442,759
Water & Sewer Taps	4,675
Other Operating Revenue	7,618
Total Operating Revenue	\$ 963,895
Operating Expenses:	
Water Department	252,051
Sewer Department	330,719
Depreciation	299,948
Total Operating Expenses	\$ 882,718
Operating Income (Loss)	\$ 81,177
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	4,836
Interest on Long-Term Debt	(21,738)
Income Before Transfers and Capital Contributions	\$ 64,275
Grants and Other Capital Contributions	
Federal and State Capital Grant	73,970
Transfer From General Fund	-
Change in Net Position	\$ 138,245
Total Net Position, beginning, Previously Reported	9,129,692
Restatement	(9,090)
Total Net Position, beginning, Restated	9,120,602
Total Net Position, ended	\$ 9,258,847

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, 2016

	<u>ENTERPRISE</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 958,521
Cash Paid for Goods and Services	(376,415)
Cash Paid to /for Employees	(218,988)
Customer Deposits Received	6,940
Customer Deposits Returned	(4,420)
Net Cash Provided by Operating Activities	\$ 365,638
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)	\$ 12,450
Acquisition of Capital Assets	(85,701)
Principal Paid on Bonds and Equipment Contracts	(110,840)
Interest Paid on Bonds and Equipment Contracts	(22,268)
Net Cash Used by Capital and Related Financing Activities	\$ (206,359)
Cash Flows from Investing Activities:	
Interest on Investments	\$ 4,836
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 164,115
Cash and Cash Equivalents at Beginning of Year	743,513
Cash and Cash Equivalents at End of Year	\$ 907,628
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 81,177
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 299,948
Pension Expense	6,998
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(4,755)
Increase (Decrease) in Accounts Payable	(11,360)
Increase (Decrease) in Customer Deposits	1,902
Increase (Decrease) in Compensated Absences	1,959
Current Year Contribution to Pension	(10,231)
Total Adjustments	\$ 284,461
Net Cash Provided by Operating Activities	\$ 365,638

Noncash investing, capital, and financing activities: none.

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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 privil Accordance with Uniform Guidance and the State 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,

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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. Sales taxes are considered a shared revenue because the tax is levied by Ashe County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by combination of specific cost- reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost - reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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.

<u>Town of West Jefferson Restricted Cash</u>	
Governmental Activities	
General Fund	
Police	\$ 5,318
Streets	37,308
Fire	765,715
Total Governmental Activities	\$ 808,341
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 25,072
Total Business-type Activities	\$ 25,072
Total Restricted Cash	\$ 833,413

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, 2015. 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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	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 one item that meets this criterion - contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized until then. The Town has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, prepaid business registrations, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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 the end of the fiscal year 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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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, 2016, the Town's deposits had a carrying amount \$2,827,569 and a bank balance of \$3,353,048. 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, 2016 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>6/30/2016</u>
General Fund-Accounts Receivable	\$ 278
Enterprise Fund - Accounts Receivable	27,464
General Fund - Taxes Receivable	21,795
Park Fund - Taxes Receivable	805
Total	<u>\$ 50,342</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

3. Capital Assets

Primary Government

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 276,687	\$ 122,500	\$ -	\$ 399,187
Construction in progress				-
Total capital assets not being depreciated	<u>276,687</u>	<u>122,500</u>		<u>399,187</u>
Capital assets being depreciated:				
Building	367,560	191,960		559,520
Other improvements	1,536,387	615,732		2,152,119
Equipment	581,996			581,996
Vehicles and motorized equipment	1,712,568	45,212	139,597	1,618,183
Computer equipment	30,902			30,902
Infrastructure				
Total capital assets being depreciated	<u>4,229,413</u>	<u>852,904</u>	<u>139,597</u>	<u>4,942,720</u>
Less accumulated depreciation for:				
Building	97,573	8,030		105,603
Other improvements	620,563	98,000		718,563
Equipment	483,423	28,779		512,202
Vehicles and motorized equipment	1,331,100	118,745	139,597	1,310,248
Computer equipment	30,902			30,902
Infrastructure				
Total accumulated depreciation	<u>2,563,561</u>	<u>253,554</u>	<u>139,597</u>	<u>2,677,518</u>
Total capital assets being depreciated, net	<u>1,665,852</u>			<u>2,265,202</u>
Governmental activity capital assets, net	<u><u>\$ 1,942,539</u></u>			<u><u>\$ 2,664,389</u></u>

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

General government	\$ 13,933
Public safety	115,379
Transportation	89,380
Cultural and recreational	34,862
Total depreciation expense	<u><u>\$ 253,554</u></u>

Business-type activities:

Water and Sewer Fund

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 140,780	\$ -	\$ -	\$ 140,780
Construction in progress	10,820	85,700		96,520
Total capital assets not being depreciated	<u>151,600</u>	<u>85,700</u>	<u>-</u>	<u>237,300</u>
Capital assets being depreciated:				
Land Improvements	13,074			13,074
Plant and distribution systems	13,671,580			13,671,580
Furniture and maintenance equipment	642,569			642,569
Vehicles	89,825			89,825
Total capital assets being depreciated	<u>14,417,048</u>	<u>-</u>	<u>-</u>	<u>14,417,048</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

Less accumulated depreciation for:

Land Improvements	13,074		13,074
Plant and distribution systems	4,831,874	272,236	5,104,110
Furniture and maintenance equipment	509,547	19,070	528,617
Vehicles	72,542	8,642	81,184
Total accumulated depreciation	5,427,037	299,948	- 5,726,985
Total capital assets being depreciated, net	8,990,011		8,690,063
Business-type activities capital assets, net	\$ 9,141,611		\$ 8,927,363

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2016, 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	296,664		-	296,664
Building & Improvements	181,747			181,747
Furniture & Equipment	87,202			87,202
Total capital assets being depreciated	565,613	-	-	565,613
Less accumulated depreciation for :				
Building	35,024	6,142	-	41,166
Building & Improvements	63,907	9,087		72,994
Furniture & Equipment	61,830	7,580		69,410
Total accumulated depreciation	160,761	22,809		183,570
Total capital assets being depreciated, net	404,852			382,043
ABC capital assets, net	\$ 500,466			\$ 477,657

B. Liabilities

1. Pension Plan Obligations and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of West Jefferson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of West Jefferson's contractually required contribution rate for the year ended June 30, 2016, was 7.150% of compensation for law enforcement officers and 6.670% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Town of West Jefferson were \$48,148 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$65,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.01451% which was the same as its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$32,933. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,307
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		18,539
Changes in proportion and differences between Town contributions and proportionate share of contributions		-
Town contributions subsequent to the measurement date	48,148	9,513
Total	\$ 48,148	\$ 43,359

The \$48,148 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (24,340)
2018	(24,340)
2019	(24,306)
2020	29,628
Thereafter	
	\$ (43,358)

Actuarial Assumptions . The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	454,091	65,120	(262,579)

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

b. Law Enforcement Officers Special Separation Allowance

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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	<u>9</u>

A separate report was not issued for the plan, because the Town is not currently funding the plan.

Summary of Significant Accounting Policies

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

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

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

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

Contributions

The Town is required by Article 12D of G.S Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no Contributions made by employees. The Town paid \$1,819 of Law Enforcement Officers' Special Separation Allowance benefits for the year ended June 30, 2016.

The annual pension cost is immaterial, therefore the Town has chosen not to have an actuarial study on the plan.

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, 2016 were \$25,112, which consisted of \$12,692 from the Town and \$12,420 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, 2016 were \$25,522, which consisted of \$22,542 from the Town and \$2,980 from general employees.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

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 \$1,440 for the fiscal year ended June 30, 2016. 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 several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 48,148
Adjustment for Employer pension contributions versus proportionate share	
Total	<u>\$ 48,148</u>

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

Prepaid Taxes (General Fund)	\$ 3,178
Prepaid Licenses (General Fund)	195
Taxes Receivable (General Fund)	28,126
Taxes Receivable (Park Fund)	1,039
Pension Deferrals	43,359
	<u>\$ 75,897</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

3. Commitments

The Town has no commitments for construction as of June 30, 2016.

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	\$ 13,224,793
Liability	General Aggregate (other than Property)	2,000,000
	Each Occurrence	1,000,000
Equipment Floater	Contractor's Equipment	367,600
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>Balance Due</u>
<u><i>Serviced by the General Fund</i></u>	
\$122,500 New Parking Lot Loan due in annual installments of \$24,500 plus interest through January 18, 2021, interest at 2.5% payable to Herbert Francis.	\$ 122,500
<u><i>Serviced by the Water and Sewer Fund</i></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.	358,652
\$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.	306,390
	\$ 787,542

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT 9

The future minimum payments on installment purchases as of June 30, 2016 including interest of \$9136 on debt presented for governmental activities and \$66,773 on water and sewer debt, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 24,500	\$ 3,063	\$ 110,840	19,087
2018	24,500	2,450	110,840	15,906
2019	24,500	1,838	110,840	12,724
2020	24,500	1,225	110,840	9,543
2021	24,500	560	110,840	6,332
2022-2026			110,840	3,181
Total	<u>\$ 122,500</u>	<u>\$ 9,136</u>	<u>\$ 665,040</u>	<u>\$ 66,773</u>

b. Changes in Long-Term Liabilities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ 122,500	\$ -	\$ 122,500	\$ -
Compensated absences	40,331	23,354	23,922	39,763	39,763
Net pension Liability (LGERS)	-	51,282	-	51,282	-
Gov activities long-term liabilities	<u>\$ 40,331</u>	<u>\$ 197,136</u>	<u>\$ 23,922</u>	<u>\$ 213,545</u>	<u>\$ 39,763</u>
Business-type activities:					
Installment purchases	\$ 775,882	\$ -	\$ 110,840	\$ 665,042	\$ 110,840
Compensated absences	10,289	8,750	6,791	12,248	12,248
Net pension liability (LGERS)	-	13,838	-	13,838	-
Bus-type activities long-term liab.	<u>\$ 786,171</u>	<u>\$ 22,588</u>	<u>\$ 117,631</u>	<u>\$ 691,128</u>	<u>\$ 123,088</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, 2016, only transfers between departments. There is a balance due to the General Fund from the Capital Projects fund for \$82,529, for the Streetscapes project, as of June 30, 2016.

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	\$ 1,960,134
Less:	
Stabilization by State Statute	240,656
Public Safety - Police	5,318
Streets - Powell Bill	37,307
Public Safety - Fire Department	765,715
Appropriated Fund Balance in 2016/2017 budget	5,000
Remaining Fund Balance	906,138

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 23, 2016.

VI. Net Position Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position was restated as of June 30, 2015. However, there was an error of \$2,882 in the restatement that is now being reflected as a restatement as of June 30, 2016. This results in an increase in net position for the governmental activities of \$6,208 and a decrease in net position for the business-type activities of \$9,090.

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
West Jefferson's proportion of the net pension liability (asset) (%)	0.01451%	0.01451%	0.01450%
West Jefferson's proportion of the net pension liability (asset) (\$)	\$ 65,120	\$ (85,572)	\$ 174,781
West Jefferson's covered-employee payroll	\$703,666	\$ 720,204	\$ 744,664
West Jefferson's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	9.25%	(11.88%)	23.47%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
TOWN OF WEST JEFFERSON'S PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 48,148	\$ 52,006	\$ 51,449
Contributions in relation to the contractually required contribution	<u>48,148</u>	<u>52,006</u>	<u>51,449</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
West Jefferson's covered-employee payroll	\$ 703,666	\$ 717,027	\$ 720,204
Contributions as a percentage of covered-employee payroll	6.84%	7.25%	7.14%

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, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes:			
Current Year	\$ -	\$ 946,860	\$ -
Prior Years		39,472	
Penalties and Interest		11,660	
Total	<u>\$ 958,450</u>	<u>\$ 997,992</u>	<u>\$ 39,542</u>
Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ -	\$ 345,814	\$ -
Telecommunications Tax		19,070	
Utilities Franchise Tax		178,359	
Piped Natural Gas Tax		3,208	
Video Franchise Tax		779	
Beer and Wine Tax		5,899	
ABC Profit Distribution		48,000	
Total	<u>\$ 552,000</u>	<u>\$ 601,129</u>	<u>\$ 49,129</u>
Restricted Intergovernmental Revenues:			
Federal & State Grants	\$ -	\$ 505,580	\$ -
Fire Tax Collections & Budget Appropriation		118,061	
Firefighter's Relief Fund & Grant		5,072	
Police Funds		603	
ABC Revenues for Law Enforcement		4,534	
Powell Bill Allocation		46,024	
Solid Waste Disposal Tax		853	
Total	<u>\$ 689,580</u>	<u>\$ 680,727</u>	<u>\$ (8,853)</u>
Permits and Fees:			
Officer Fees	\$ -	\$ 1,975	\$ -
Garbage Fees		17,467	
Planning Fees		775	
Business License		480	
Occupancy Tax Fee		-	
Total	<u>\$ 23,600</u>	<u>\$ 20,697</u>	<u>\$ (2,903)</u>
Investment Earnings:			
Investment Earnings	\$ -	\$ 6,822	\$ -
Total	<u>\$ 3,500</u>	<u>\$ 6,822</u>	<u>\$ 3,322</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Miscellaneous:			
Contributions to Fire Department	\$ -	\$ 3,770	\$ -
Other (Fire Dept)		1,728	
Other		8,878	
Contribution for Parking Lot		65,000	
Sale of Fixed Assets		7,125	
Total	<u>\$ 82,125</u>	<u>\$ 86,501</u>	<u>\$ 4,376</u>
 Total Revenues	 <u>\$ 2,309,255</u>	 <u>\$ 2,393,868</u>	 <u>\$ 84,613</u>
 Expenditures			
General Government			
Administration			
Salaries/Employee Benefits	\$ -	\$ 233,670	\$ -
Operating Expenses		140,490	
Capital Outlay		122,500	
Total General Government	<u>\$ 521,600</u>	<u>\$ 496,660</u>	<u>\$ 24,940</u>
Public Safety			
Police			
Salaries/Employee Benefits	\$ -	\$ 372,143	\$ -
Operating Expenses		100,525	
Capital Outlay		45,212	
Total		<u>517,880</u>	
Fire			
Operating Expenses		63,313	
Capital Outlay		-	
Total		<u>63,313</u>	
Total Public Safety	<u>\$ 660,455</u>	<u>\$ 581,193</u>	<u>\$ 79,262</u>
Transportation			
Street Department			
Salaries/Employee Benefits	\$ -	\$ 145,751	\$ -
Operating Expenses		240,579	
Capital Outlay		369,122	
Total		<u>755,452</u>	
Po Accordance with Uniform Guidance and the State			
Operating Expenses		44,849	
Capital Outlay		-	
Total		<u>44,849</u>	
Total Transportation	<u>\$ 835,400</u>	<u>\$ 800,301</u>	<u>\$ 35,099</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic Development			
Planning			
Salaries/Employee Benefits	\$ -	\$ 10,607	\$ -
Operating Expenses		826	
Capital Outlay		-	
Total		<u>\$ 11,433</u>	
Contributions to GE Aviation		\$ 500,000	
Contributions to ACJD		25,000	
Total Economic Development	<u>\$ 536,300</u>	<u>\$ 536,433</u>	<u>\$ (133)</u>
Environmental Protection			
Sanitation			
Contracted Services	\$ -	\$ 88,702	\$ -
Recycling		6,000	
Total Environmental Protection	<u>\$ 95,300</u>	<u>\$ 94,702</u>	<u>\$ 598</u>
Culture and Recreation			
Donation to WJ Lions Club	\$ -	\$ 1,000	\$ -
Other			
Total Culture and Recreation	<u>\$ 2,200</u>	<u>\$ 1,000</u>	<u>\$ 1,200</u>
Debt Service			
Principal Retirement	\$ -	\$ -	\$ -
Interest Expense			
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contingency Fund	<u>54,000</u>		<u>54,000</u>
Total Expenditures	<u>\$ 2,705,255</u>	<u>\$ 2,510,289</u>	<u>\$ 194,966</u>
Revenues Over (Under) Expenditures	<u>\$ (396,000)</u>	<u>\$ (116,421)</u>	<u>\$ 279,579</u>
Other Financing Sources (Uses)			
Loan Proceeds	\$ 122,500	\$ 122,500	\$ -
Appropriated Fund Balance	375,000	-	(375,000)
Operating Transfers In (Out):			
To Capital Projects	<u>(101,500)</u>	<u>(101,500)</u>	
Total Other Financing Sources (Uses)	<u>\$ 396,000</u>	<u>\$ 21,000</u>	<u>\$ (375,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (95,421)</u>	<u>\$ (95,421)</u>
Fund Balance			
Beginning of Year, July 1		<u>2,055,555</u>	
End of Year, June 30		<u>\$ 1,960,134</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINING BALANCE SHEETS
NON - MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Special Revenue Funds</u>		Capital Projects Fund	Total Non - Major Governmental Funds
	<u>Park Fund</u>	<u>Cemetery Fund</u>		
ASSETS				
Cash and Cash Equivalents	\$ 114,645	\$ 22,568	\$ -	\$ 137,213
Receivables (Net):				
Taxes	1,039			1,039
Due from Other Governmental Units	247		157,773	158,020
Total Assets	<u>\$ 115,931</u>	<u>\$ 22,568</u>	<u>\$ 157,773</u>	<u>\$ 296,272</u>
LIABILITIES				
Accounts Payable	\$ 709	\$ -	\$ 31,760	\$ 32,469
Due To Other Funds			82,529	82,529
Total Liabilities	<u>\$ 709</u>	<u>\$ -</u>	<u>\$ 114,289</u>	<u>\$ 114,998</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Receivable	\$ 1,039	\$ -	\$ -	\$ 1,039
Total Deferred Inflows of Resources	<u>\$ 1,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039</u>
FUND BALANCES				
Restricted:				
Restricted by State Statute	\$ 247	\$ -	\$ 157,773	\$ 158,020
Committed:				
For Park Maintenance	113,936			113,936
Assigned:				
Subsequent Year's Expenditures For Cemetery Maintenance		22,568		22,568
Capital Projects			(114,289)	(114,289)
Total Fund Balance	<u>\$ 114,183</u>	<u>\$ 22,568</u>	<u>\$ 43,484</u>	<u>\$ 180,235</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 115,931</u>	<u>\$ 22,568</u>	<u>\$ 157,773</u>	<u>\$ 296,272</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, 2016

	<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	\$ 73,678	\$ -	\$ -	\$ 73,678
Prior Years	1,807			1,807
Total	<u>\$ 75,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,485</u>
Restricted Intergovernmental Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ 380,000</u>
Investment Earnings	\$ 515	\$ 118	\$ -	\$ 633
Contributions				
Miscellaneous	3,758			3,758
Sale of Plots		1,000		1,000
Total	<u>\$ 4,273</u>	<u>\$ 1,118</u>	<u>\$ -</u>	<u>\$ 5,391</u>
Total Revenues	<u>\$ 79,758</u>	<u>\$ 1,118</u>	<u>\$ 380,000</u>	<u>\$ 460,876</u>
Expenditures:				
Transportation				
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,570</u>	<u>\$ 438,570</u>
Total Transportation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,570</u>	<u>\$ 438,570</u>
Cultural and Recreational				
Salaries/Employee Benefits	\$ 36,298	\$ -	\$ -	\$ 36,298
Operating Expenses	35,590	175		35,765
Capital Outlay				
Total Cultural and Recreational	<u>\$ 71,888</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 72,063</u>
Total Expenditures	<u>\$ 71,888</u>	<u>\$ 175</u>	<u>\$ 438,570</u>	<u>\$ 510,633</u>
Revenues Over (Under) Expenditures	\$ 7,870	\$ 943	\$ (58,570)	\$ (49,757)
Other Financing Sources (Uses)				
Loan Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,500</u>	<u>\$ 101,500</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ 7,870	\$ 943	\$ 42,930	\$ 51,743
Fund Balance:				
Beginning of Year, July 1	<u>106,313</u>	<u>21,625</u>	<u>554</u>	<u>128,492</u>
End of Year, June 30	<u>\$ 114,183</u>	<u>\$ 22,568</u>	<u>\$ 43,484</u>	<u>\$ 180,235</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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes			
Current Year	\$ 72,000	\$ 73,678	\$ 1,678
Prior Years	-	1,807	1,807
Total	\$ 72,000	\$ 75,485	\$ 3,485
Investment Earnings	\$ 500	\$ 515	\$ 15
Contributions			
Miscellaneous		3,758	3,758
Total	\$ 500	\$ 4,273	\$ 3,773
Total Revenues	\$ 72,500	\$ 79,758	\$ 7,258
Expenditures:			
Cultural and Recreational			
Salaries/Employee Benefits	\$ -	\$ 36,298	\$ -
Operating Expenses		35,590	
Capital Outlay			
Total Expenditures	75,500	71,888	\$ 3,612
Revenues Over (Under) Expenditures	\$ (3,000)	\$ 7,870	\$ 10,870
Other Financing Sources (Uses)			
Appropriated Fund Balance	3,000		(3,000)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 7,870	\$ 7,870
Fund Balance:			
Beginning of Year, July 1		106,313	
End of Year, June 30		\$ 114,183	

TOWN OF WEST JEFFERSON
CAPITAL PROJECTS FUND - STREETSCAPES
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED, JUNE 30, 2016

	Project Authorization	ACTUAL			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total To Date	
<u>Revenues</u>					
Streetscapes at Jefferson Ave & 2nd St					
Restricted Intergovernmental Revenues					
Federal Highway Administration	\$ 220,000	\$ 20,000	\$ 200,000	\$ 220,000	\$ -
NC Department of Transportation	185,000	5,000	180,000	185,000	-
Total Revenue	<u>\$ 405,000</u>	<u>\$ 25,000</u>	<u>\$ 380,000</u>	<u>\$ 405,000</u>	<u>\$ -</u>
<u>Expenditures</u>					
Transportation - Streetscapes					
Capital Outlay - Engineering	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Capital Outlay - CEI	19,500		19,500	19,500	-
Capital Outlay - Construction	445,000		419,070	419,070	25,930
Total Expenditures	<u>\$ 489,500</u>	<u>\$ 25,000</u>	<u>\$ 438,570</u>	<u>\$ 463,570</u>	<u>\$ 25,930</u>
Revenues Over (Under) Expenditures	\$ (84,500)	\$ -	\$ (58,570)	\$ (58,570)	\$ 25,930
<u>Other Financing Sources (Uses)</u>					
Transfers in from General Fund	<u>\$ 84,500</u>	<u>\$ -</u>	<u>\$ 101,500</u>	<u>\$ 101,500</u>	<u>\$ 17,000</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,930</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fund Balance:</u>					
Beginning of Year, July 1			<u>554</u>		
End of Year, June 30			<u>\$ 43,484</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, 2016

Revenues	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services			
Water Charges	\$ 478,000	\$ 508,843	\$ 30,843
Sewer Charges	423,000	442,759	19,759
Water and Sewer Taps	-	4,675	4,675
Total Charges for Services	\$ 901,000	\$ 956,277	\$ 55,277
Other Operating Revenues	180,000	7,618	(172,382)
Total Operating Revenues	\$ 1,081,000	\$ 963,895	\$ (117,105)
Nonoperating Revenues			
Interest Earned on Investments		4,836	4,836
Total Nonoperating Revenues	\$ -	\$ 4,836	\$ 4,836
Total Revenues	\$ 1,081,000	\$ 968,731	\$ (112,269)
Expenditures			
Water Department			
Salaries/Employee Benefits	\$ -	\$ 104,251	\$ -
Repair & Maintenance		80,178	
Other Departmental Expenses		69,110	
Capital Outlay		5,334	
Total Water Department	\$ 986,100	\$ 258,873	\$ 727,227
Sewer Department			
Salaries/Employee Benefits	\$ -	\$ 114,737	\$ -
Repair & Maintenance		79,331	
Other Departmental Expenses		136,437	
Capital Outlay		5,594	
Total Sewer Department	\$ 969,400	\$ 336,099	\$ 633,301

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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service			
Interest	\$ -	\$ 22,268	\$ -
Debt Principal		110,840	
Total Debt Service	<u>\$ 133,500</u>	<u>\$ 133,108</u>	<u>\$ 392</u>
Total Expenditures	<u>\$ 2,089,000</u>	<u>\$ 728,080</u>	<u>\$ 1,360,920</u>
Revenues Over (Under) Expenditures	<u>\$ (1,008,000)</u>	<u>\$ 240,651</u>	<u>\$ 1,248,651</u>
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ 65,000	\$ -	\$ (65,000)
Loan Proceeds	-		-
State and Federal Grants	943,000		(943,000)
Total Other Financing Sources (Uses)	<u>\$ 1,008,000</u>	<u>\$ -</u>	<u>\$ (1,008,000)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 240,651</u>	<u>\$ 240,651</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
Capital Grants (in Capital Projects Fund)		\$ 73,970	
Capital Outlay (not in Capital Project Fund)		10,928	
Debt Principal		110,840	
Depreciation		(299,948)	
(Increase) Decrease in Accrued Interest		530	
(Increase) Decrease in Compensated Absences Payable		(1,959)	
Accordance with Uniform Guidance and the State			
Pension Plan in current fiscal year		10,231	
Pension Expense		<u>(6,998)</u>	
Total Reconciling Items		<u>\$ (102,406)</u>	
Change in Net Position		<u>\$ 138,245</u>	

TOWN OF WEST JEFFERSON
ENTERPRISE - WATER & SEWER CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED, JUNE 30, 2016

	Project Authorization	Prior Years	ACTUAL Current Year	Total To Date	Variance Favorable (Unfavorable)
Water & Sewer Improvements on Burkett & Graybeal Ave.					
<u>Revenues</u>					
Restricted Intergovernmental Revenues					
NCDENR CBDG - Infrastructure I - 2625	\$ 504,455		\$ 55,690	\$ 55,690	\$ (448,765)
NCDENR CBDG - Infrastructure I - 2626	157,025		18,280	18,280	(138,745)
Total Revenue	<u>\$ 661,480</u>	<u>\$ -</u>	<u>\$ 73,970</u>	<u>\$ 73,970</u>	<u>\$ (587,510)</u>
<u>Expenditures</u>					
Water & Sewer Improvements					
Administrative	\$ 43,000		\$ 21,450	\$ 21,450	\$ 21,550
Public Water - Sewer Improvements	618,480		52,520	52,520	565,960
Advertising & Fees	-		803	803	(803)
Total Expenditures	<u>\$ 661,480</u>	<u>\$ -</u>	<u>\$ 74,773</u>	<u>\$ 74,773</u>	<u>\$ 586,707</u>
Revenues Over (Under) Expenditures		\$ -	\$ (803)	\$ (803)	\$ (803)
Other Financing Sources (Uses)					
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (803)</u>	<u>\$ (803)</u>	<u>\$ (803)</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

	Uncollected Balance <u>July 1, 2015</u>	<u>Additions</u>	Collections and <u>Credits</u>	Uncollected Balance <u>June 30, 2016</u>
2015 - 16	\$ -	\$ 1,045,686	\$ 1,030,906	14,780
2014 - 15	19,637		14,295	5,342
2013 - 14	16,628		10,939	5,689
2012 - 13	10,463		6,583	3,880
2011 - 12	7,744		4,136	3,608
2010 - 11	6,222		2,831	3,391
2009 - 10	7,322		2,432	4,890
2008 - 09	5,768		-	5,768
2007 - 08	2,697		-	2,697
2006 - 07	1,720		-	1,720
2005 - 06	2,423		2,423	-
	<u>\$ 80,624</u>	<u>\$ 1,045,686</u>	<u>\$ 1,074,545</u>	<u>\$ 51,765</u>

Less Allowance for Uncollectible Ad Valorem Taxes Receivable \$ (22,600)

Ad Valorem Taxes Receivable - Net \$ 29,165

Reconcilement with Revenues:

Taxes - Ad Valorem - General Fund	\$ 997,992
Taxes - Ad Valorem - Special Revenue Fund	75,485
Discounts Allowed	9,909
Adjustments	396
Interest Received	(11,660)
Amount Written Off Per Statute of Limitations	<u>2,423</u>
Total Collections and Credits	<u>\$ 1,074,545</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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	\$ 238,754,773	.42	\$ 1,002,770	\$ 971,835	\$ 30,935
Property taxed at prior years rate	<u>2,533,510</u>	.42	<u>10,641</u>	<u>971,835</u>	<u>10,641</u>
Total original levy	\$ 241,288,283		\$ 1,013,411	\$ 971,835	\$ 41,576
Discoveries:					
Current year's taxes	<u>8,680,824</u>	.42	<u>36,438</u>	<u>36,438</u>	
Total	\$ 249,969,107		\$ 1,049,849	\$ 1,008,273	\$ 41,576
Less Abatements	<u>(991,200)</u>		<u>(4,163)</u>	<u>(4,163)</u>	
Total property valuation	<u>\$ 248,977,907</u>				
Net levy			\$ 1,045,686	\$ 1,004,110	\$ 41,576
Uncollected taxes at June 30, 2016			<u>(14,780)</u>	<u>(14,780)</u>	
Current year's taxes collected			<u>\$ 1,030,906</u>	<u>\$ 989,330</u>	<u>\$ 41,576</u>
Current levy collection percentage			<u>98.59%</u>	<u>98.53%</u>	<u>100.00%</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, 2016, 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 23, 2016. 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 (#2016-1).

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.



Priscilla L. Norris, CPA
Jefferson, North Carolina
November 23, 2016

Priscilla L. Norris, CPA

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**Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance;
In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of West Jefferson, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of West Jefferson's programs for the year ended June 30, 2016. The Town of West Jefferson's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of West Jefferson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Priscilla L. Norris, CPA

Jefferson, NC

November 23, 2016

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 |

State Awards

Type of auditor's report issued: Unqualified

Internal control over major state programs:

- | | | |
|--|-----------|-------------------|
| * Material weaknesses identified? | _____ yes | _____ <u>X</u> no |
| * Significant Deficiency (s) identified that are not considered to be material | _____ yes | _____ <u>X</u> no |
| * Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act | _____ yes | _____ <u>X</u> no |

Identification of major State Programs:

Program Name:

NC Department of Commerce Special Appropriations

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2016-1 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.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-1.

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. See Corrective Action Plan that follows.

Section III. State Award Findings and Questioned Costs

None reported.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2016-1 Inadequate design of internal control over the preparation of financial statements

Name of contact person: Brantley Price, Town Manager

Corrective Action: The Town will weigh the costs versus the benefits of training the the finance staff for this function.

Proposed Completion Date: Immediately

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<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 Housing and Urban Development</u>				
Passed-through NC Department of Environmental Quality:				
CDBG	14.228	I-2625	55,690	
CDBG	14.228	I-2626	18,280	
<u>US Department Of Transportation</u>				
Passed-through NC Department of Transportation:				
Highway Planning and Construction (Streetscapes)	20.205-1CL	DOT-18	200,000	180,000
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4		46,024
<u>NC Department of Insurance</u>				
Volunteer Fire Department Grant				338
Fireman's Relief Fund Money				4,734
<u>NC Department of Public Safety</u>				
Police Grant				5,580
<u>NC Department of Commerce</u>				
Special Appropriations				500,000
Total Assistance			<u>\$ 273,970</u>	<u>\$ 736,676</u>

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of West Jefferson under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal awards*, and the State Single Audit Implementation Act. Because SEFSA presents only a selected portion of the operations of the Town of West Jefferson, it is not intended to and does not present financial position, changes in net position or cash flows of the Town of West Jefferson.