

**TOWN OF WEST JEFFERSON  
NORTH CAROLINA  
AUDIT REPORT  
JUNE 30, 2015**

***Priscilla L. Norris, CPA***

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**TOWN OF WEST JEFFERSON, NORTH CAROLINA**

**TOWN COUNCIL**  
**AS OF JUNE 30, 2015**

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

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

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# *Priscilla L. Norris, CPA*

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Telephone (336) 846-2688      Fax (336) 846-4600

## **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, 2015, 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, 2015, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

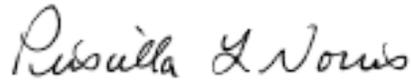
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule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

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

auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, 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.



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Priscilla L. Norris, CPA  
Jefferson, NC  
November 18, 2015

**TOWN OF WEST JEFFERSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015. 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.

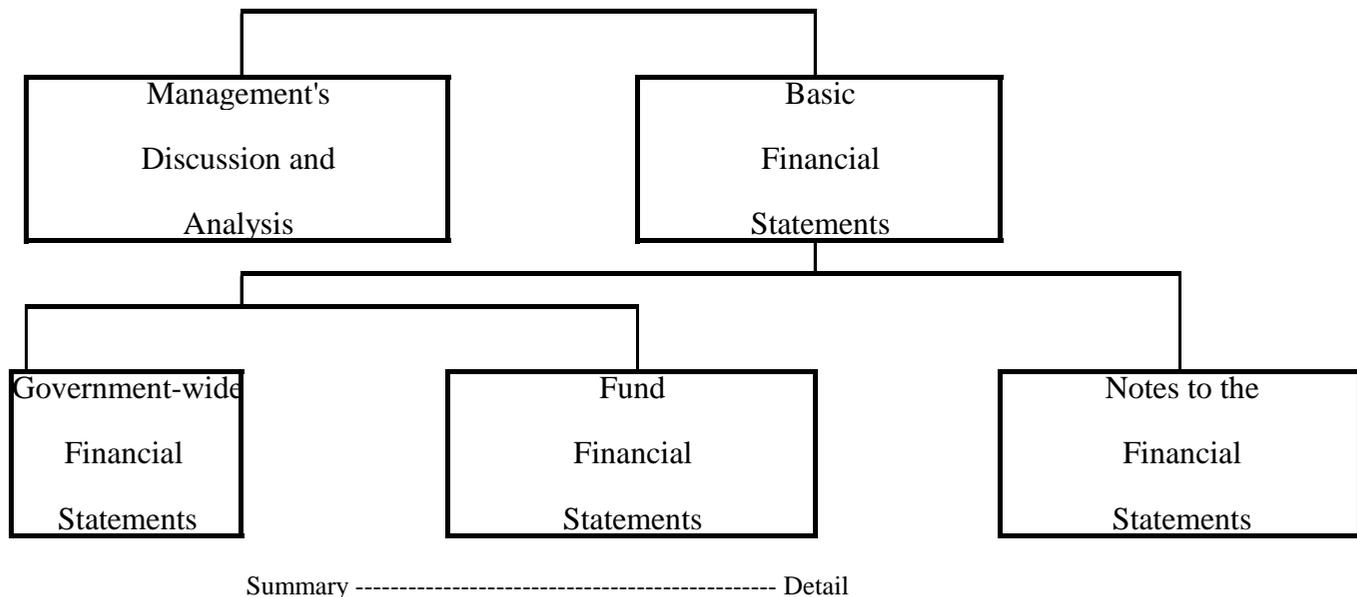
**Financial Highlights**

- \* 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 \$13,223,933 (net position).
- \* The government's total net position increased by \$220,593, 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 \$2,184,047, which includes a net change of \$108,856 in comparison with the prior year. Approximately 39.93 percent of this total amount, or \$872,177, is non-spendable or restricted.
- \* At the end of the current fiscal year, unassigned fund balance for the General Fund was \$908,834 or 50.47 percent of total general fund expenditures for the fiscal year.
- \* The Town of West Jefferson's total debt decreased by \$110,840 (12.5%) during the current fiscal year. The key factor in this decrease was payment of principal.

**Overview of the Financial Statements**

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

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



**Basic Financial Statements**

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

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

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

**Proprietary Funds** - The Town of West Jefferson has one proprietary fund, an enterprise fund. *Enterprise Funds* are used to

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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,379,925	\$ 2,229,171	\$ 836,768	\$ 632,811	\$ 3,216,693	\$ 2,861,982
Capital assets	1,942,539	1,903,487	9,141,611	9,383,297	11,084,150	11,286,784
Deferred outflows of resources	45,230		9,658		54,888	
<b>Total assets &amp; deferred outflows of resources</b>	<b>\$ 4,367,694</b>	<b>\$ 4,132,658</b>	<b>\$ 9,988,037</b>	<b>\$ 10,016,108</b>	<b>\$ 14,355,731</b>	<b>\$ 14,148,766</b>
Long-term liabilities outstanding	\$ -	\$ -	\$ 775,882	\$ 886,722	\$ 775,882	\$ 886,722
Other liabilities	76,522	84,554	54,693	38,073	131,215	122,627
Deferred inflows of resources	196,931	12,745	27,770		224,701	12,745
<b>Total liabilities &amp; deferred inflows of resources</b>	<b>\$ 273,453</b>	<b>\$ 97,299</b>	<b>\$ 858,345</b>	<b>\$ 924,795</b>	<b>\$ 1,131,798</b>	<b>\$ 1,022,094</b>
Net position:						
Net Investment in capital assets	\$ 1,942,539	\$ 1,903,487	\$ 8,365,729	\$ 8,496,576	\$ 10,308,268	\$ 10,400,063
Restricted	872,177	766,443			872,177	766,443
Unrestricted	1,279,525	1,365,429	763,963	594,737	2,043,488	1,960,166
<b>Total net position</b>	<b>\$ 4,094,241</b>	<b>\$ 4,035,359</b>	<b>\$ 9,129,692</b>	<b>\$ 9,091,313</b>	<b>\$ 13,223,933</b>	<b>\$ 13,126,672</b>

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 \$13,223,933 as of June 30, 2015. The Town's net position increased by \$220,593 for the fiscal year ended June 30, 2015. However, the largest portion (77.95%) 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 \$872,177 (6.60%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,043,488 is unrestricted.

**TOWN OF WEST JEFFERSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
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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 96.71% to 98.12%, for property other than vehicles.
- \* The new "Tax and Tag" system for vehicle tax collection improved those collections to 100%.
- \* The Town recorded an additional Revenue Receivable of \$28,000 as of June 30, 2015, from WJABC for general use.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 27,190	\$ 24,366	\$ 929,543	\$ 895,705	\$ 956,733	\$ 920,071
Operating grants and contributions	208,112	203,992			208,112	203,992
Capital grants and contributions	25,000	70,348		173,000	25,000	243,348
General revenues:						
Property taxes	1,075,269	1,077,632			1,075,269	1,077,632
Other taxes	10,136	11,921			10,136	11,921
Grants and contributions not restricted to specific programs	601,157	510,605			601,157	510,605
Other	34,358	27,910	3,333	2,161	37,691	30,071
<b>Total revenues</b>	<b>\$ 1,981,222</b>	<b>\$ 1,926,774</b>	<b>\$ 932,876</b>	<b>\$ 1,070,866</b>	<b>\$ 2,914,098</b>	<b>\$ 2,997,640</b>
<b>Expenses:</b>						
General government	\$ 386,599	\$ 388,991	\$ -	\$ -	\$ 386,599	\$ 388,991
Public safety	710,579	659,490			710,579	659,490
Highways/streets	464,402	471,169			464,402	471,169
Economic development	61,080	51,506			61,080	51,506
Environmental protection	94,702	94,704			94,702	94,704
Cultural and recreation	97,716	107,918			97,716	107,918
Interest on long-term debt		288				288
Water and sewer			878,427	939,007	878,427	939,007
<b>Total expenses</b>	<b>\$ 1,815,078</b>	<b>\$ 1,774,066</b>	<b>\$ 878,427</b>	<b>\$ 939,007</b>	<b>\$ 2,693,505</b>	<b>\$ 2,713,073</b>
Increase in net position before transfers	166,144	152,708	54,449	131,859	220,593	284,567
Net Position, July 1, as previously stated	4,035,359	3,882,651	9,091,313	8,959,454	13,126,672	12,842,105
Restatement	(107,262)		(16,070)		(123,332)	
Net position, July 1 Restated	3,928,097	3,882,651	9,075,243	8,959,454	13,003,340	12,842,105
<b>Net position, June 30</b>	<b>\$ 4,094,241</b>	<b>\$ 4,035,359</b>	<b>\$ 9,129,692</b>	<b>\$ 9,091,313</b>	<b>\$ 13,223,933</b>	<b>\$ 13,126,672</b>

**Governmental activities:** Governmental activities increased the Town's net position by \$166,144, which is 75.32% of total growth. Key elements of this increase are steady revenue sources, along with minimal increase in expenses.

**Business-type activities:** Business-type activities increased the Town of West Jefferson's net position by \$54,449, thereby accounting for 24.68% of the total growth in the net position of the Town.

**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, 2015**

**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 \$908,834, while total fund balance reached \$2,055,555. 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 44.2 percent of total General Fund expenditures, while total fund balance represents 114.14 percent of that same amount.

At June 30, 2015, the governmental funds of the Town of West Jefferson reported a combined fund balance of \$2,184,047 a 5.25% percent increase from last year. The largest contributor to this increase is an increase in General Fund operations of \$86,219.

**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 \$763,963. The total change in net position was \$54,449 (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, 2015, totals \$11,084,150 (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 valued at \$5,000 was donated to the Town.
- \* Construction began on the Streetscapes project at 2nd Street and Jefferson Ave.
- \* Vehicle purchased for police department.
- \* The former Rescue Squad building was purchased for storage and Fire Department purposes.
- \* A roof was replaced on Town Hall.
- \* A parking lot was built for additional parking.
- \* Land was purchased at Lot 13 North Jefferson Ave.
- \* A vehicle and various equipment were purchased for the Water/Sewer department.
- \* Construction began on a new well.

**TOWN OF WEST JEFFERSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
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**Town of West Jefferson Capital Assets**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 276,687	\$ 190,187	\$ 140,780	\$ 140,780	\$ 417,467	\$ 330,967
Buildings and system	269,987	169,896	8,839,706	9,113,222	9,109,693	9,283,118
Improvements other than buildings	890,824	927,442			890,824	927,442
Machinery and equipment	98,573	130,518	133,022	103,369	231,595	233,887
Infrastructure						
Vehicles and motorized equipment	381,468	485,444	17,283	25,925	398,751	511,369
Construction in progress	25,000		10,820		35,820	
<b>Total</b>	<b>\$ 1,942,539</b>	<b>\$ 1,903,487</b>	<b>\$ 9,141,611</b>	<b>\$ 9,383,296</b>	<b>\$ 11,084,150</b>	<b>\$ 11,286,783</b>

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, 2015, the Town of West Jefferson had total debt outstanding of \$775,881. 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	
	2015	2014	2015	2014	2015	2014
Installment purchase	\$ -	\$ -	\$ 775,881	\$ 886,722	\$ 1,662,603	\$ 886,722
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 775,881</b>	<b>\$ 886,722</b>	<b>\$ 1,662,603</b>	<b>\$ 886,722</b>

The Town of West Jefferson's debt decreased by \$110,840 (12.5%) during the past fiscal year, primarily due to payment of principal.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of West Jefferson is approximately \$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, 2015**

**Economic Factors FY 2014-2015 and FY 2015-2016 Budget and Rates**

The following are some of the economic factors and highlights that had an impact on FY 2014-2015 Budget & Rates.

**General Fund**

- Continue to pursue and receive past due property taxes - over \$27,000 received.
- Local Option Sales Tax revenue increased from prior year approximately 10%.
- Increase in Vehicle Taxes due to change in State Law that requires property taxes to be paid when tag is purchased.
- Utility Franchise Tax increase
- Fund Balance Appropriation - \$225,000, additional paving, purchase old rescue squad building, convert old tennis courts to parking lot and purchase empty lot on Jefferson Ave.

**Water/Sewer**

- Approximately 3% increase in water/sewer revenue - Most buildings are occupied in Town/more accurate meter reading with new touch read system.
- Purchased a new truck for the water department.

**Budget Highlights for General Fund for the Fiscal Year End June 30, 2016**

**General Fund**

Revenues

- Property Taxes - The property tax rate will remain at \$.42 after revaluation. Property values decreased 2.7%, which would have required an increase in the tax rate to \$.43 to be revenue neutral.
- Sales Tax - NCLM projects 4% increase over FY 14-15 which is expected to increase 7.5% over prior year and currently YTD is up over 8% from last fiscal year.
- Utility Franchise tax distribution has increased this fiscal year due to electricity tax increasing.
- \$275,000 from the Fund Balance to balance the budget (additional paving, sidewalk repair, public restrooms and pave town parking lot).
- No Privilege License Tax effective 7/1/15 - The State is still reviewing a Registration Fee, for which there are bills being introduced to allow but have not been passed. If passed the Town may introduce the registration fee just to give knowledge of who is in business in the city limits.
- NC Dept. of Commerce Building Reuse Grant for GE - \$500,000.

**GF Capital Budget**

DOT Funds - \$250,000 for Streetscape Improvements Jefferson Ave & 2nd St.

Group health insurance decreased by 3.1% for FY 15-16, with employee coverage to remain the same as in FY 14-15 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:

- \$30,000 - Attorney
- \$5,000 - 100 Year Celebration
- \$3,000 - Facade Grants
- \$5,000 - ALP - Ordinance update
- \$2,000 - Elections
- \$25,000 - 2nd GE Incentive Payment
- \$46,000 - Purchase of new police car
- \$10,000 - Salt for roads during winter months
- \$75,000 - Additional paving funds
- \$20,000 - Sidewalk Repair
- \$17,000 - Maintenance Building repair
- \$6,000 - Add power to bumpouts
- \$100,000 - Construct Public Restrooms
- \$100,000 - Pave Public Parking Lot

**TOWN OF WEST JEFFERSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

- \$37,000 - Increase of Fire Department Contribution by \$2,000
- \$500,000 - GE Building Reuse Grant

**General Fund Capital Budget**

\$250,000 - Jefferson Ave/2nd St Project-Design is complete

**Parks**

Revenues

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

Fund Balance Appropriation of \$3,000 to balance budget.

Expenditures

Significant budget items in the Park worth noting include:

- \$7,500 - Tennis Court Repair
- \$3,000 - Replace doors at the shelter
- \$3,000 - Trash Cans
- \$2,000 - Mulch for the Playgrounds

**Water and Sewer Fund**

Revenues

Revenues in Water/Sewer are budgeted flat compared to FY 14-15 due to no new businesses known to be opening or closing.

Budgeted \$165,000 for a new well (loan and/or grant funded).

Budgeted \$435,000 for dewatering project at WWTP - (loans and/or grant funded).

CDBG Grant \$644,000 - water/sewer replacement Burkett/Graybeal Ave.

Expenditures

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

- \$165,000 - New well
- \$15,000 - Reeves Well SCADA
- \$5,000 - 20 year water meter replacement schedule
- \$9,000 - Replacement pump Beaver Creek Pump Station
- \$435,000 - Dewatering Project at Waste Water Treatment Plant - grant/loan
- \$6,000 - Replace one lawn mower
- \$10,000 - Line for return pump
- \$6,500 - Pumps for scum tanks
- \$6,200 - UV system maintenance
- \$15,000 - Belt press rental if dewater project has not been installed
- \$644,000 - Water/Sewer replacement Burkett/Graybeal - CDBG funded

**Requests for information**

**TOWN OF WEST JEFFERSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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](http://www.townofwj.com) for more information.

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

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

TOWN OF WEST JEFFERSON  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Primary Government</b>				
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Component Units</b>	
	<b>Activities</b>	<b>Activities</b>		<b>WJ ABC</b>	<b>WJTDA</b>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalent	\$ 1,359,637	\$ 720,343	\$ 2,079,980	\$ 253,212	\$ 52,747
Cash and Cash Equivalents - Restricted	695,501	23,170	718,671		
Inventories				197,626	
Taxes Receivables (net)	59,726		59,726		
Accrued Interest Receivable on Taxes	13,963		13,963		
Account Receivable (net)	1,741	82,106	83,847		
Due from Other Governments	174,935		174,935		12,854
Prepaid Expenses				2,804	
<b>Total Current Assets</b>	<b>2,305,503</b>	<b>825,619</b>	<b>3,131,122</b>	<b>453,642</b>	<b>65,601</b>
Noncurrent Assets:					
Net Pension Asset	74,422	11,149	85,571	4777	-
Capital Assets:					
Land, Non-Depreciable Improvements, and Construction in Progress	276,687	140,780	417,467	95,614	
Other Capital Assets, Net of Depreciation	1,665,852	9,000,831	10,666,683	404,853	
<b>Total Capital Assets</b>	<b>1,942,539</b>	<b>9,141,611</b>	<b>11,084,150</b>	<b>500,467</b>	
<b>Total Assets</b>	<b>\$ 4,322,464</b>	<b>\$ 9,978,379</b>	<b>\$ 14,300,843</b>	<b>\$ 958,886</b>	<b>\$ 65,601</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows for Pensions	\$ 45,230	\$ 9,658	\$ 54,888	\$ 10,344	\$ -
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable & Accrued Liabilities	28,357	17,523	45,880	155,175	295
Due To Other Governments	7,815		7,815		
Accrued Interest Payable		3,711	3,711		
Compensated Absences	40,331	10,289	50,620		
Payable from Restr. Assets - Customer Dep	19	23,170	23,189		
Long-term Liabilities:					
Due Within One Year		110,840	110,840	25,992	
Due In More Than One Year		665,042	665,042	123,491	
<b>Total Liabilities</b>	<b>\$ 76,522</b>	<b>\$ 830,575</b>	<b>\$ 907,097</b>	<b>\$ 304,658</b>	<b>\$ 295</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows for Pensions	\$ 185,354	\$ 27,770	\$ 213,124	\$ 11,643	
Unearned Revenues	11,577		11,577		
<b>Total Deferred Inflows of Resources</b>	<b>\$ 196,931</b>	<b>\$ 27,770</b>	<b>\$ 224,701</b>	<b>\$ 11,643</b>	<b>\$ -</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,942,539	8,365,729	10,308,268	350,984	
Restricted for:					
Stabilization by State Statute	176,676		176,676		12,854
Public Safety	659,443		659,443		
Transportation	36,058		36,058		
Working Capital				45,923	
Unrestricted	1,279,525	763,963	2,043,488	256,022	52,452
<b>Total Net Position</b>	<b>\$ 4,094,241</b>	<b>\$ 9,129,692</b>	<b>\$ 13,223,933</b>	<b>\$ 652,929</b>	<b>\$ 65,306</b>

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, 2015

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
<b>Primary Government:</b>									
Governmental Activities:									
General Government	\$ 386,599	\$ -	\$ -	\$ -	\$ (386,599)	\$ -	\$ (386,599)		
Public Safety	710,579	1,870	160,321		(548,388)		(548,388)		
Transportation	464,402		46,433	25,000	(392,969)		(392,969)		
Economic Development	61,080	1,282			(59,798)		(59,798)		
Environmental Protection	94,702	20,011	856		(73,835)		(73,835)		
Cultural and Recreation	97,716	4,027	502		(93,187)		(93,187)		
Interest on Long-Term Debt							-		
Total Governmental Activities	<u>1,815,078</u>	<u>27,190</u>	<u>208,112</u>	<u>25,000</u>	<u>(1,554,776)</u>		<u>(1,554,776)</u>		
Business-Type Activities:									
Water and Sewer	878,427	929,543				51,116	51,116		
Total Business-Type Activities	<u>878,427</u>	<u>929,543</u>	-	-		<u>51,116</u>	<u>51,116</u>		
Total Primary Government	<u>\$ 2,693,505</u>	<u>\$ 956,733</u>	<u>\$ 208,112</u>	<u>\$ 25,000</u>	<u>\$ (1,554,776)</u>	<u>\$ 51,116</u>	<u>\$ (1,503,660)</u>		
Component Units:									
ABC Board	<u>\$ 1,506,809</u>	<u>\$ 1,555,529</u>						<u>\$ 48,720</u>	
Tourism Development Authority	<u>\$ 49,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					<u>\$ (49,728)</u>
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					1,075,269		1,075,269		
Other taxes and licenses					10,136		10,136		42,248
Grants and contributions not restricted to specific programs					601,157		601,157		
Unrestricted Investment earnings					5,352	3,333	8,685		479
Miscellaneous					29,006		29,006		
Transfers (net)									
Total general revenues and transfers					<u>1,720,920</u>	<u>3,333</u>	<u>1,724,253</u>		<u>42,727</u>
Change in Net Position					<u>166,144</u>	<u>54,449</u>	<u>220,593</u>	<u>48,720</u>	<u>(7,001)</u>
Net Position- Beginning, Previously Reported					4,035,359	9,091,313	13,126,672	609,292	72,307
Restatement					(107,262)	(16,070)	(123,332)	(5,083)	
Net Position- Beginning, Restated					<u>3,928,097</u>	<u>9,075,243</u>	<u>13,003,340</u>	<u>604,209</u>	<u>72,307</u>
Net Position- Ending					<u>\$ 4,094,241</u>	<u>\$ 9,129,692</u>	<u>\$ 13,223,933</u>	<u>\$ 652,929</u>	<u>\$ 65,306</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, 2015

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 1,225,972	\$ 133,665	\$ 1,359,637
Cash & Cash Equivalents- Restricted	695,501		695,501
Receivables, Net:			
Taxes	57,253	2,473	59,726
Accounts	1,741		1,741
Due from Other Governments	174,479	456	174,935
Due from Other Funds			
Total Assets	\$ 2,154,946	\$ 136,594	\$ 2,291,540
 <b>LIABILITIES</b>			
Accounts Payable & Accrued Liabilities	\$ 22,728	\$ 5,629	\$ 28,357
Customer Deposit	19		19
Due to Other Governments	7,815		7,815
Total Liabilities	\$ 30,562	\$ 5,629	\$ 36,191
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Receivable	\$ 57,253	\$ 2,473	\$ 59,726
Prepaid Taxes	11,281		11,281
Prepaid Privilege License	295		295
Total Deferred Inflows of Resources	\$ 68,829	\$ 2,473	\$ 71,302
 <b>FUND BALANCES</b>			
Restricted:			
Stabilization by State Statute	\$ 176,220	\$ 456	\$ 176,676
Public Safety - Police	1,748		1,748
Streets - Powell Bill	36,058		36,058
Public Safety Fire Department	657,695		657,695
Committed:			
For Park Maintenance		105,857	105,857
Assigned:			
Appropriated Fund Balance	275,000		275,000
Cemetery Maintenance		21,625	21,625
Capital Projects		554	554
Unassigned:	908,834		908,834
Total Fund Balance	\$ 2,055,555	\$ 128,492	\$ 2,184,047
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 2,154,946	\$ 136,594	

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

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	\$ 2,184,047
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,942,539
Net Pension Asset	74,422
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the Statement of Net Position.	45,230
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	13,963
Liabilities for earned but unavailable revenues in fund statements.	59,725
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.	(40,331)
Pension Related Deferrals	<u>(185,354)</u>
Net position of governmental activities	<u>\$ 4,094,241</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT 4  
PAGE 1 OF 2

	<u>Major Fund General Fund</u>	<u>Total Non - Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad Valorem Taxes	\$ 1,019,842	\$ 76,944	\$ 1,096,786
Other Taxes & Licenses	10,136		10,136
Unrestricted Intergovernmental	601,157		601,157
Restricted Intergovernmental	203,554	25,000	228,554
Permits & Fees	23,163		23,163
Investment Earnings	5,352	502	5,854
Miscellaneous	23,927	8,162	32,089
<b>Total Revenues</b>	<u>\$ 1,887,131</u>	<u>\$ 110,608</u>	<u>\$ 1,997,739</u>
<b>Expenditures</b>			
General Governmental	\$ 544,756	\$ -	\$ 544,756
Public Safety	659,720		659,720
Transportation	438,054	25,000	463,054
Economic Development	62,680		62,680
Environmental Protection	94,702		94,702
Cultural & Recreational	1,000	62,971	63,971
Debt Services:			
Principal			
Interest and Other Charges			
Capital Outlay			
<b>Total Expenditures</b>	<u>\$ 1,800,912</u>	<u>\$ 87,971</u>	<u>\$ 1,888,883</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 86,219</u>	<u>\$ 22,637</u>	<u>\$ 108,856</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	\$ -	\$ -	\$ -
Transfer to Other Funds			
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 86,219	\$ 22,637	\$ 108,856
Fund Balances:			
Beginning of Year, July 1	<u>\$ 1,969,336</u>	<u>\$ 105,855</u>	<u>\$ 2,075,191</u>
End of Year, June 30	<u>\$ 2,055,555</u>	<u>\$ 128,492</u>	<u>\$ 2,184,047</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, 2015

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	\$	108,856
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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	291,242	
Depreciation expense	<u>(257,190)</u>	34,052

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	45,230
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(20,784)
Change in accrued interest receivable on taxes	(732)

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

Repayment of principal of long term debt

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable		(1,808)
Change in accrued interest payable		
Pension expense		(3,670)
Total change in net position of governmental activities	<u>\$</u>	<u>161,144</u>

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

## MAJOR FUND - GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Ad valorem taxes	\$ 918,450	\$ 954,600	\$ 1,019,842	\$ 65,242
Other taxes and licenses	15,000	10,000	10,136	136
Unrestricted intergovernmental	468,000	505,000	601,157	96,157
Restricted intergovernmental	203,700	189,500	203,554	14,054
Permits and fees	21,400	19,200	23,163	3,963
Investment earnings	4,500	4,500	5,352	852
Miscellaneous	5,000	18,850	23,927	5,077
Total Revenues	<u>\$ 1,636,050</u>	<u>\$ 1,701,650</u>	<u>\$ 1,887,131</u>	<u>\$ 185,481</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	505,350	563,350	544,756	18,594
Public Safety	697,250	724,750	659,720	65,030
Transportation	414,150	461,750	438,054	23,696
Economic Development	61,100	66,100	62,680	3,420
Environmental Protection	97,000	97,000	94,702	2,298
Cultural and Recreational	2,200	2,200	1,000	1,200
Debt service				
Contingency	9,000	9,000		9,000
Total Expenditures	<u>1,786,050</u>	<u>1,924,150</u>	<u>1,800,912</u>	<u>123,238</u>
Revenues over (under) expenditures	<u>\$ (150,000)</u>	<u>\$ (222,500)</u>	<u>\$ 86,219</u>	<u>\$ 308,719</u>
<b>Other financing sources (uses):</b>				
Transfer to other funds				
Transfer from other funds				
Appropriated fund balance	150,000	222,500		(222,500)
Total other financing sources (uses)	<u>150,000</u>	<u>222,500</u>	<u>-</u>	<u>(222,500)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,219</u>	<u>\$ 86,219</u>
<b>Fund balances:</b>				
Beginning of year July 1			1,969,336	
End of year June 30			<u>\$ 2,055,555</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, 2015

EXHIBIT 6

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$ 720,343
Cash and Cash Equivalents - Restricted	23,170
Accounts Receivable - Net	82,106
Due from Other Governments	
Total Current Assets	<u>825,619</u>
 Noncurrent Assets	
Net Pension Asset	<u>11,149</u>
 Capital Assets - Net	<u>9,141,611</u>
Total Noncurrent Assets	<u>9,152,760</u>
 Total Assets	<u><u>\$ 9,978,379</u></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Contributions to Pension Plan	<u><u>\$ 9,658</u></u>
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**LIABILITIES**

Current Liabilities	
Accounts Payable/Accrued Liabilities	\$ 17,523
Note Interest Accrued	3,711
Compensated Absences	10,289
Current Portion of Long-Term Notes	110,840
Liabilities Payable from Restricted Assets:	
Customer Deposits	<u>23,170</u>
Total Current Liabilities	<u>165,533</u>
 Noncurrent Liabilities	
Noncurrent Portion of Long-Term Notes	<u>665,042</u>
 Total Liabilities	<u><u>\$ 830,575</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Pension Deferrals	<u><u>\$ 27,770</u></u>
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**NET POSITION**

Net Investment in Capital Assets	\$ 8,365,729
Unrestricted	<u>763,963</u>
 Total Net Position	<u><u>\$ 9,129,692</u></u>

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

EXHIBIT 7

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, 2015

	<u>ENTERPRISE</u>
Operating Revenues:	
Charges for Services - Water	\$ 486,587
Charges for Services - Sewer	427,148
Water & Sewer Taps	5,855
Other Operating Revenue	<u>9,953</u>
Total Operating Revenue	<u>\$ 929,543</u>
Operating Expenses:	
Water Department	253,123
Sewer Department	299,152
Depreciation	<u>301,233</u>
Total Operating Expenses	<u>\$ 853,508</u>
Operating Income (Loss)	\$ 76,035
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	3,333
Interest on Long-Term Debt	<u>(24,919)</u>
Income Before Transfers and Capital Contributions	\$ 54,449
Grants and Other Capital Contributions	
Federal and State Capital Grant	-
Transfer From General Fund	<u>-</u>
Change in Net Position	\$ 54,449
Total Net Position, beginning, Previously Reported	9,091,313
Restatement	<u>(16,070)</u>
Total Net Position, beginning, Restated	<u>9,075,243</u>
Total Net Position, ended	<u><u>\$ 9,129,692</u></u>

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, 2015

	<u>ENTERPRISE</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 920,999
Cash Paid for Goods and Services	(355,732)
Cash Paid to /for Employees	(193,980)
Customer Deposits Received	12,060
Customer Deposits Returned	(6,580)
Net Cash Provided by Operating Activities	\$ 376,767
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)	\$ -
Acquisition of Capital Assets	(59,548)
Principal Paid on Bonds and Equipment Contracts	(110,840)
Interest Paid on Bonds and Equipment Contracts	(25,449)
Net Cash Used by Capital and Related Financing Activities	\$ (195,837)
Cash Flows from Investing Activities:	
Interest on Investments	\$ 3,333
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 184,263
Cash and Cash Equivalents at Beginning of Year	559,250
Cash and Cash Equivalents at End of Year	\$ 743,513
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 76,035
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 301,233
Pension Expense	551
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(8,544)
Increase (Decrease) in Accounts Payable	12,017
Increase (Decrease) in Customer Deposits	5,480
Increase (Decrease) in Compensated Absences	(347)
Current Year Contribution to Pension	(9,658)
Total Adjustments	\$ 300,732
Net Cash Provided by Operating Activities	\$ 376,767

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, 2015

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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
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EXHIBIT 9

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

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

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

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

The Town reports the following major enterprise fund:

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT 9

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. 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 component 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).

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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EXHIBIT 9

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

Town of West Jefferson Restricted Cash

Governmental Activities

General Fund	
Police	\$ 1,748
Streets	36,058
Fire	<u>657,695</u>
Total Governmental Activities	<u>\$ 695,501</u>

Business-type Activities

Water and Sewer Fund	
Customer deposits	\$ 23,170
Total Business-type Activities	<u>\$ 23,170</u>

Total Restricted Cash	<u>\$ 718,671</u>
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**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, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventories**

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

## 7. Capital Assets

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

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

<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 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized until then. The Town has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, prepaid beer and wine licenses, 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 June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis.

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

## **11. Net Position/Fund Balances**

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

**Committed Fund Balance** - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

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

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

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

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

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

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

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

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

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Town's deposits had a carrying amount \$2,798,201 and a bank balance of \$2,831,782. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015 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:

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
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EXHIBIT 9

<u>Fund</u>	<u>6/30/2015</u>
General Fund-Accounts Receivable	\$ 278
Enterprise Fund - Accounts Receivable	24,254
General Fund - Taxes Receivable	20,035
Park Fund - Taxes Receivable	865
Total	<u>\$ 45,432</u>

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

<b>Governmental activities:</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 190,187	\$ 86,500	\$ -	\$ 276,687
Construction in progress		25,000		25,000
Total capital assets not being depreciated	<u>190,187</u>	<u>111,500</u>		<u>301,687</u>
<b>Capital assets being depreciated:</b>				
Building	260,118	107,442		367,560
Other improvements	1,480,350	31,037		1,511,387
Equipment	581,996			581,996
Vehicles and motorized equipment	1,666,305	46,263		1,712,568
Computer equipment	30,902			30,902
Infrastructure				
Total capital assets being depreciated	<u>4,019,671</u>	<u>184,742</u>	-	<u>4,204,413</u>
<b>Less accumulated depreciation for:</b>				
Building	90,222	7,351		97,573
Other improvements	552,908	67,655		620,563
Equipment	451,478	31,945		483,423
Vehicles and motorized equipment	1,180,861	150,239		1,331,100
Computer equipment	30,902			30,902
Infrastructure				
Total accumulated depreciation	<u>2,306,371</u>	<u>257,190</u>	-	<u>2,563,561</u>
Total capital assets being depreciated, net	<u>1,713,300</u>			<u>1,640,852</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1,903,487</u>			<u>\$ 1,942,539</u>

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

General government	\$ 13,933
Public safety	138,851
Transportation	66,924
Cultural and recreational	37,482
Total depreciation expense	<u>\$ 257,190</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
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EXHIBIT 9

<b>Business-type activities:</b>	Beginning			Ending
<i>Water and Sewer Fund</i>	Balances	Increases	Decreases	Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 140,780	\$ -	\$ -	\$ 140,780
Construction in progress		10,820		10,820
Total capital assets not being depreciated	140,780	10,820	-	151,600
<b>Capital assets being depreciated:</b>				
Land Improvements	13,074			13,074
Plant and distribution systems	13,671,580			13,671,580
Furniture and maintenance equipment	593,841	48,728		642,569
Vehicles	89,825			89,825
Total capital assets being depreciated	14,368,320	48,728	-	14,417,048
<b>Less accumulated depreciation for:</b>				
Land Improvements	13,074			13,074
Plant and distribution systems	4,558,358	273,516		4,831,874
Furniture and maintenance equipment	490,472	19,075		509,547
Vehicles	63,900	8,642		72,542
Total accumulated depreciation	5,125,804	301,233	-	5,427,037
Total capital assets being depreciated, net	9,242,516			8,990,011
<b>Business-type activities capital assets, net</b>	<u>\$ 9,383,296</u>			<u>\$ 9,141,611</u>

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Capital assets not being depreciated:</b>				
Land	\$ 95,614	\$ -	\$ -	\$ 95,614
Total capital assets not being depreciated	95,614	-	-	95,614
<b>Capital assets being depreciated:</b>				
Building	296,664		-	296,664
Building & Improvements	181,747			181,747
Furniture & Equipment	68,077	19,125		87,202
Total capital assets being depreciated	546,488	19,125		565,613
<b>Less accumulated depreciation for :</b>				
Building	28,882	6,142	-	35,024
Building & Improvements	58,349	5,558		63,907
Furniture & Equipment	52,743	9,087		61,830
Total accumulated depreciation	139,974	20,787		160,761
Total capital assets being depreciated, net	406,514			404,852
<b>ABC capital assets, net</b>	<u>\$ 502,128</u>			<u>\$ 500,466</u>

## **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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2015, was 7.55% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Town of West Jefferson were \$54,888 for the year ended June 30, 2015.

*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.

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EXHIBIT 9

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

At June 30, 2015, the Town reported an asset of \$85,572 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.01451% which was an increase of 0.00001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,221. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	#	
Differences between expected and actual experience	\$ -	\$ 9,350
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		199,210
Changes in proportion and differences between Town contributions and proportionate share of contributions	#	4,565
Town contributions subsequent to the measurement date	# 54,888	
Total	# \$ 54,888	\$ 213,125

The \$54,888 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	#	\$ (53,290)
2017	#	(53,290)
2018	#	(53,290)
2019	#	(53,255)
2020		
Thereafter		
	#	\$ (213,125)

*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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT 9

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*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:

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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EXHIBIT 9

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	290,468	(85,572)	(402,186)

*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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan, 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 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, 2015 were \$23,197, which consisted of \$13,672 from the Town and \$9,525 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, 2015 were \$24,479, which consisted of \$22,139 from the Town and \$2,340 from general employees.

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

**Plan Description.** The State of North Carolina contributes, on behalf of the Town of West Jefferson, to the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute \$10 per month to the Fund. The Town pays the required contribution for the West Jefferson Fire Department, which totaled \$1,440 for the fiscal year ended June 30, 2015. 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.

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT 9

**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	\$ 54,888
Adjustment for Employer pension contributions versus proportionate share	
Total	\$ 54,888

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

Prepaid Taxes (General Fund)	\$ 11,281
Prepaid Licenses (General Fund)	295
Taxes Receivable (General Fund)	57,253
Taxes Receivable (Park Fund)	2,473
Pension Deferrals	213,125
	\$ 284,427

**3. Commitments**

The Town has no commitments for construction as of June 30, 2015.

**4. Risk Management**

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

Insurance Coverage

**Agent: Miller's Insurance Agency**

**Provider: Employers Mutual Casualty Company**

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT 9

**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>
<i>Serviced by the Water and Sewer Fund</i>	
\$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.	\$ 418,427
\$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.	357,455
	<u>\$ 775,882</u>

The future minimum payments on installment purchases as of June 30, 2015 including interest of \$0 on debt presented for governmental activities and \$89,071 on water and sewer debt, are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ -	\$ 110,840	22,268
2017			110,840	19,087
2018			110,840	15,906
2019			110,840	12,724
2020			110,840	9,543
2021-2025			221,681	9,543
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,881</u>	<u>\$ 89,071</u>

**b. Changes in Long-Term Liabilities**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current Portion</u> <u>of Balance</u>
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	38,523	28,254	26,446	40,331	40,331
Gov. activities long-term liabilities	<u>\$ 38,523</u>	<u>\$ 28,254</u>	<u>\$ 26,446</u>	<u>\$ 40,331</u>	<u>\$ 40,331</u>
Business-type activities:					
Installment purchases	\$ 886,723	\$ -	\$ 110,840	\$ 775,882	\$ 110,840
Compensated absences	10,636	6,707	7,053	10,289	10,289
Bus-type activities long-term liabilities	<u>\$ 897,359</u>	<u>\$ 6,707</u>	<u>\$ 117,893</u>	<u>\$ 786,171</u>	<u>\$ 121,129</u>

Compensated absences typically have been liquidated in the General Fund.

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT 9

**C. Transfers and Interfund Balances**

Transfers to/from Other Funds

There were no transfers between funds during the year ending June 30, 2015, only transfers between departments.

**D. Fund Balance**

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

Total fund balance - General Fund	\$ 2,055,555
Less:	
Stabilization by State Statute	176,220
Public Safety - Police	1,748
Streets - Powell Bill	36,058
Public Safety - Fire Department	657,695
Appropriated Fund Balance in 2015/2016 budget	275,000
Remaining Fund Balance	908,834

**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 18, 2015.

**VI. Change in Accounting Principles/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. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$107,262 and \$16,070, respectively.

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 TWO FISCAL YEARS\*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

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

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Ad Valorem Taxes:			
Current Year	\$ -	\$ 967,500	\$ -
Prior Years		36,649	
Penalties and Interest		15,693	
Total	\$ 954,600	\$ 1,019,842	\$ 65,242
Other Taxes and Licenses:			
Privilege Licenses	\$ -	\$ 10,136	\$ -
Total	\$ 10,000	\$ 10,136	\$ 136
Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ -	\$ 322,728	\$ -
Telecommunications Tax		22,511	
Utilities Franchise Tax		172,133	
Piped Natural Gas Tax		3,533	
Video Franchise Tax		828	
Beer and Wine Tax		6,424	
ABC Profit Distribution		73,000	
Total	\$ 505,000	\$ 601,157	\$ 96,157
Restricted Intergovernmental Revenues:			
Federal & State Grants	\$ -	\$ -	\$ -
Fire Tax Collections & Budget Appropriation		126,966	
Firefighter's Relief Fund & Grant		24,869	
Police Funds		71	
ABC Revenues for Law Enforcement		4,359	
Powell Bill Allocation		46,433	
Solid Waste Disposal Tax		856	
Total	\$ 189,500	\$ 203,554	\$ 14,054
Permits and Fees:			
Officer Fees	\$ -	\$ 1,870	\$ -
Garbage Fees		20,011	
Planning Fees		1,050	
Occupancy Tax Fee		232	
Total	\$ 19,200	\$ 23,163	\$ 3,963
Investment Earnings:			
Investment Earnings	\$ -	\$ 5,352	\$ -
Total	\$ 4,500	\$ 5,352	\$ 852

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous:			
Contributions to Fire Department	\$ -	\$ 3,436	\$ -
Other (Fire Dept)		620	
Other		19,871	
Total	\$ 18,850	\$ 23,927	\$ 5,077
Total Revenues	\$ 1,701,650	\$ 1,887,131	\$ 185,481
<b>Expenditures</b>			
General Government			
Administration			
Salaries/Employee Benefits	\$ -	\$ 235,148	\$ -
Operating Expenses		145,666	
Capital Outlay		163,942	
Total General Government	\$ 563,350	\$ 544,756	\$ 18,594
Public Safety			
Police			
Salaries/Employee Benefits	\$ -	\$ 395,769	\$ -
Operating Expenses		86,098	
Capital Outlay		46,263	
Total		528,130	
Fire			
Operating Expenses		106,590	
Capital Outlay		25,000	
Total		131,590	
Total Public Safety	\$ 724,750	\$ 659,720	\$ 65,030
Transportation			
Street Department			
Salaries/Employee Benefits	\$ -	\$ 151,139	\$ -
Operating Expenses		210,005	
Capital Outlay		31,037	
Total		392,181	
Powell Bill			
Operating Expenses		45,873	
Capital Outlay			
Total		45,873	
Total Transportation	\$ 461,750	\$ 438,054	\$ 23,696

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, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
Economic Development			
Planning			
Salaries/Employee Benefits	\$ -	\$ 33,605	\$ -
Operating Expenses		4,075	
Capital Outlay			
Total		\$ 37,680	
Contributions to ACJD		25,000	
Total Economic Development	\$ 66,100	\$ 62,680	\$ 3,420
Environmental Protection			
Sanitation			
Contracted Services	\$ -	\$ 88,702	\$ -
Recycling		6,000	
Total Environmental Protection	\$ 97,000	\$ 94,702	\$ 2,298
Culture and Recreation			
Donation to WJ Lions Club	\$ -	\$ 1,000	\$ -
Other			
Total Culture and Recreation	\$ 2,200	\$ 1,000	\$ 1,200
Debt Service			
Principal Retirement	\$ -	\$ -	\$ -
Interest Expense			
Total Debt Service	\$ -	\$ -	\$ -
Contingency Fund	9,000		9,000
Total Expenditures	\$ 1,924,150	\$ 1,800,912	\$ 123,238
Revenues Over (Under) Expenditures	\$ (222,500)	\$ 86,219	\$ 308,719
Other Financing Sources (Uses)			
Appropriated Fund Balance	\$ 222,500	\$ -	\$ (222,500)
Operating Transfers In (Out):			
To Water and Sewer Fund			
Total Other Financing Sources (Uses)	\$ 222,500	\$ -	\$ (222,500)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 86,219	\$ 86,219
Fund Balance			
Beginning of Year, July 1		1,969,336	
End of Year, June 30		\$ 2,055,555	

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
COMBINING BALANCE SHEETS  
NON - MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>Special Revenue Funds</u>		Capital Projects Fund	Total Non - Major Governmental Funds
	<u>Park Fund</u>	<u>Cemetery Fund</u>		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 111,486	\$ 21,625	\$ 554	133,665
Receivables (Net):				
Taxes	2,473			2,473
Due from Other Governmental Units	456			456
Total Assets	<u>\$ 114,415</u>	<u>\$ 21,625</u>	<u>\$ 554</u>	<u>\$ 136,594</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,629	\$ -	\$ -	\$ 5,629
Due To Other Funds				
Total Liabilities	<u>\$ 5,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,629</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Receivable	\$ 2,473	\$ -	\$ -	\$ 2,473
Total Deferred Inflows of Resources	<u>\$ 2,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,473</u>
<b>FUND BALANCES</b>				
Restricted:				
Restricted by State Statute	\$ 456	\$ -	\$ -	\$ 456
Committed:				
For Park Maintenance	105,857			105,857
Assigned:				
Subsequent Year's Expenditures For Cemetery Maintenance		21,625		21,625
Capital Projects			554	554
Total Fund Balance	<u>\$ 106,313</u>	<u>\$ 21,625</u>	<u>\$ 554</u>	<u>\$ 128,492</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 114,415</u>	<u>\$ 21,625</u>	<u>\$ 554</u>	<u>\$ 136,594</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, 2015

	<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>		
<b>Revenues:</b>				
Ad Valorem Taxes				
Current Year	\$ 75,070	\$ -	\$ -	\$ 75,070
Prior Years	1,874			1,874
Total	<u>\$ 76,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,944</u>
Restricted Intergovernmental Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Investment Earnings	\$ 401	\$ 101	\$ -	\$ 502
Contributions				
Miscellaneous	4,135			4,135
Sale of Plots		4,027		4,027
Total	<u>\$ 4,536</u>	<u>\$ 4,128</u>	<u>\$ -</u>	<u>\$ 8,664</u>
Total Revenues	<u>\$ 81,480</u>	<u>\$ 4,128</u>	<u>\$ 25,000</u>	<u>\$ 110,608</u>
<b>Expenditures:</b>				
Transportation				
Capital Outlay	\$ -	\$ -	\$ 25,000	\$ 25,000
Total Transportation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Cultural and Recreational				
Salaries/Employee Benefits	\$ 28,807	\$ -	\$ -	\$ 28,807
Operating Expenses	30,311	3,853		34,164
Capital Outlay				
Total Cultural and Recreational	<u>\$ 59,118</u>	<u>\$ 3,853</u>	<u>\$ -</u>	<u>\$ 62,971</u>
Total Expenditures	<u>\$ 59,118</u>	<u>\$ 3,853</u>	<u>\$ 25,000</u>	<u>\$ 87,971</u>
Revenues Over (Under) Expenditures	\$ 22,362	\$ 275	\$ -	\$ 22,637
Other Financing Sources (Uses)				
Loan Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ 22,362	\$ 275	\$ -	\$ 22,637
<b>Fund Balance:</b>				
Beginning of Year, July 1	<u>83,951</u>	<u>21,350</u>	<u>554</u>	<u>105,855</u>
End of Year, June 30	<u>\$ 106,313</u>	<u>\$ 21,625</u>	<u>\$ 554</u>	<u>\$ 128,492</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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes			
Current Year	\$ 70,500	\$ 75,070	\$ 4,570
Prior Years	100	1,874	1,774
Total	<u>\$ 70,600</u>	<u>\$ 76,944</u>	<u>\$ 6,344</u>
Investment Earnings	\$ 500	\$ 401	\$ (99)
Contributions			
Miscellaneous		4,135	4,135
Total	<u>\$ 500</u>	<u>\$ 4,536</u>	<u>\$ 4,036</u>
Total Revenues	<u>\$ 71,100</u>	<u>\$ 81,480</u>	<u>\$ 10,380</u>
Expenditures:			
Cultural and Recreational			
Salaries/Employee Benefits	\$ -	\$ 28,807	\$ -
Operating Expenses		30,311	
Capital Outlay			
Total Expenditures	<u>71,100</u>	<u>59,118</u>	<u>\$ 11,982</u>
Revenues Over (Under) Expenditures	\$ -	\$ 22,362	\$ 22,362
Other Financing Sources (Uses)			
Appropriated Fund Balance			
Excess of Revenues and Other Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 22,362</u>	<u>\$ 22,362</u>
Fund Balance:			
Beginning of Year, July 1		<u>83,951</u>	
End of Year, June 30		<u>\$ 106,313</u>	

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, 2015

	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	\$ 20,000	\$ (200,000)
NC Department of Transportation	55,000		5,000	5,000	(50,000)
Total Revenue	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ (250,000)</u>
<u>Expenditures</u>					
Transportation - Streetscapes					
Capital Outlay - Engineering	\$ 25,000	\$ -	\$ 25,000	\$ 25,000	\$ -
Capital Outlay - Construction	250,000			-	250,000
Total Expenditures	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 250,000</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Other Financing Sources (Uses)</u>					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>	<u>\$ -</u>
<u>Fund Balance:</u>					
Beginning of Year, July 1			<u>554</u>		
End of Year, June 30			<u>\$ 554</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, 2015

<b>Revenues</b>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues			
Charges for Services			
Water Charges	\$ 471,000	\$ 486,587	\$ 15,587
Sewer Charges	422,000	427,148	5,148
Water and Sewer Taps	1,000	5,855	4,855
Total Charges for Services	\$ 894,000	\$ 919,590	\$ 25,590
Other Operating Revenues		9,953	9,953
Total Operating Revenues	\$ 894,000	\$ 929,543	\$ 35,543
Nonoperating Revenues			
Interest Earned on Investments		3,333	3,333
Total Nonoperating Revenues	\$ -	\$ 3,333	\$ 3,333
<b>Total Revenues</b>	<b>\$ 894,000</b>	<b>\$ 932,876</b>	<b>\$ 38,876</b>
<b>Expenditures</b>			
Water Department			
Salaries/Employee Benefits	\$ -	\$ 86,945	\$ -
Repair & Maintenance		63,388	
Other Departmental Expenses		106,571	
Capital Outlay		34,358	
Total Water Department	\$ 533,400	\$ 291,262	\$ 242,138
Sewer Department			
Salaries/Employee Benefits	\$ -	\$ 107,035	\$ -
Repair & Maintenance		54,946	
Other Departmental Expenses		142,844	
Capital Outlay		25,190	
Total Sewer Department	\$ 679,100	\$ 330,015	\$ 349,085

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service			
Interest	\$ -	\$ 25,449	\$ -
Debt Principal		110,840	
Total Debt Service	<u>\$ 136,500</u>	<u>\$ 136,289</u>	<u>\$ 211</u>
Total Expenditures	<u>\$ 1,349,000</u>	<u>\$ 757,566</u>	<u>\$ 591,434</u>
Revenues Over (Under) Expenditures	<u>\$ (455,000)</u>	<u>\$ 175,310</u>	<u>\$ 630,310</u>
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ 15,000	\$ -	\$ (15,000)
Loan Proceeds	440,000		(440,000)
State and Federal Grants			-
Total Other Financing Sources (Uses)	<u>\$ 455,000</u>	<u>\$ -</u>	<u>\$ (455,000)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 175,310</u>	<u>\$ 175,310</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
Capital Grants (in Capital Projects Fund)		\$ -	
Capital Outlay (not in Capital Project Fund)		59,548	
Debt Principal		110,840	
Depreciation		(301,233)	
(Increase) Decrease in Accrued Interest		530	
(Increase) Decrease in Compensated Absences Payable		347	
Deferred Outflows of Resources for Contributions made to Pension Plan in current fiscal year		9,658	
Pension Expense		(551)	
Total Reconciling Items		<u>\$ (120,861)</u>	
Change in Net Position		<u>\$ 54,449</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2015

	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014 - 15	\$ -	\$ 1,070,857	\$ 1,051,220	19,637
2013 - 14	37,524		20,896	16,628
2012 - 13	16,074		5,611	10,463
2011 - 12	13,477		5,733	7,744
2010 - 11	10,118		3,896	6,222
2009 - 10	9,497		2,175	7,322
2008 - 09	6,272		504	5,768
2007 - 08	2,697			2,697
2006 - 07	1,720			1,720
2005 - 06	2,423			2,423
2004 - 05	1,708		1,708	
	<u>\$ 101,510</u>	<u>\$ 1,070,857</u>	<u>\$ 1,091,743</u>	<u>\$ 80,624</u>
				<u>\$ (20,900)</u>
				<u>\$ 59,724</u>

Less Allowance for Uncollectible Ad Valorem Taxes Receivable

Ad Valorem Taxes Receivable - Net

Reconciliation with Revenues:

Taxes - Ad Valorem - General Fund	\$ 1,019,842
Taxes - Ad Valorem - Special Revenue Fund	76,944
Discounts Allowed	7,729
Adjustments	1,213
Interest Received	(15,693)
Amount Written Off Per Statute of Limitations	<u>1,708</u>
Total Collections and Credits	<u>\$ 1,091,743</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	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	\$ 244,195,497	.42	\$ 1,025,621	\$ 995,663	\$ 29,958
Property taxed at prior years rate	2,065,060	.42	8,673		8,673
Total original levy	<u>\$ 246,260,557</u>		<u>\$ 1,034,294</u>	<u>\$ 995,663</u>	<u>\$ 38,631</u>
Discoveries:					
Current year's taxes	9,790,502	.42	41,113	41,113	
Total	<u>\$ 256,051,059</u>		<u>\$ 1,075,407</u>	<u>\$ 1,036,776</u>	<u>\$ 38,631</u>
Less Abatements	(1,083,400)		(4,550)	(4,550)	
Total property valuation	<u><u>\$ 254,967,659</u></u>				
Net levy			\$ 1,070,857	\$ 1,032,226	\$ 38,631
Uncollected taxes at June 30, 2015			(19,367)	(19,367)	
Current year's taxes collected			<u>\$ 1,051,490</u>	<u>\$ 1,012,859</u>	<u>\$ 38,631</u>
Current levy collection percentage			<u>98.19%</u>	<u>98.12%</u>	<u>100.00%</u>

# *Priscilla L. Norris, CPA*

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Telephone (336) 846-2688      Fax (336) 846-4600

## **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, 2015, 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 18, 2015. 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 (#2015-1).

### Compliance and Other Matters

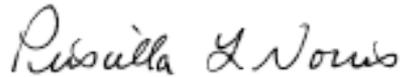
As part of obtaining reasonable assurance about whether the Town of West Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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.



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Priscilla L. Norris, CPA  
Jefferson, North Carolina  
November 18, 2015

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**Section I. Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

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

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**SIGNIFICANT DEFICIENCIES**

**2015-1      **Inadequate design of internal control over the preparation of financial statements****

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

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

Effect: The financial statements could contain misstatements.

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

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

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<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>N.C. Department of Transportation</u>				
Powell Bill		DOT-4		46,433
Streetscapes	20.205-1CL	DOT-18	20,000	5,000
<u>NC Department of Insurance</u>				
Volunteer Fire Department Grant				20,230
Fireman's Relief Fund Money				4,299
Total Assistance			<u>\$ 20,000</u>	<u>\$ 75,962</u>

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

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