

**TOWN OF TAYLORSVILLE
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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**TOWN OF TAYLORSVILLE
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2015

Mayor: George Holleman

Town Council: Kenny Poole
Jack Lerner
Ronnie Robinette
Edd Elliott

Town Manager: David Odom

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, 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 Taylorsville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, North Carolina, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows 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, the Other Post-Employment Benefits' Schedules of Funding Progress and Schedule of Employer Contribution, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taylorsville's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal 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. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal 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 October 6, 2015 on our consideration of the Town of Taylorsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Taylorsville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 6, 2015

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Management's Discussion and Analysis

As management of the Town of Taylorsville, we offer readers of the Town of Taylorsville's financial statements this narrative overview and analysis of the financial activities of the Town of Taylorsville 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

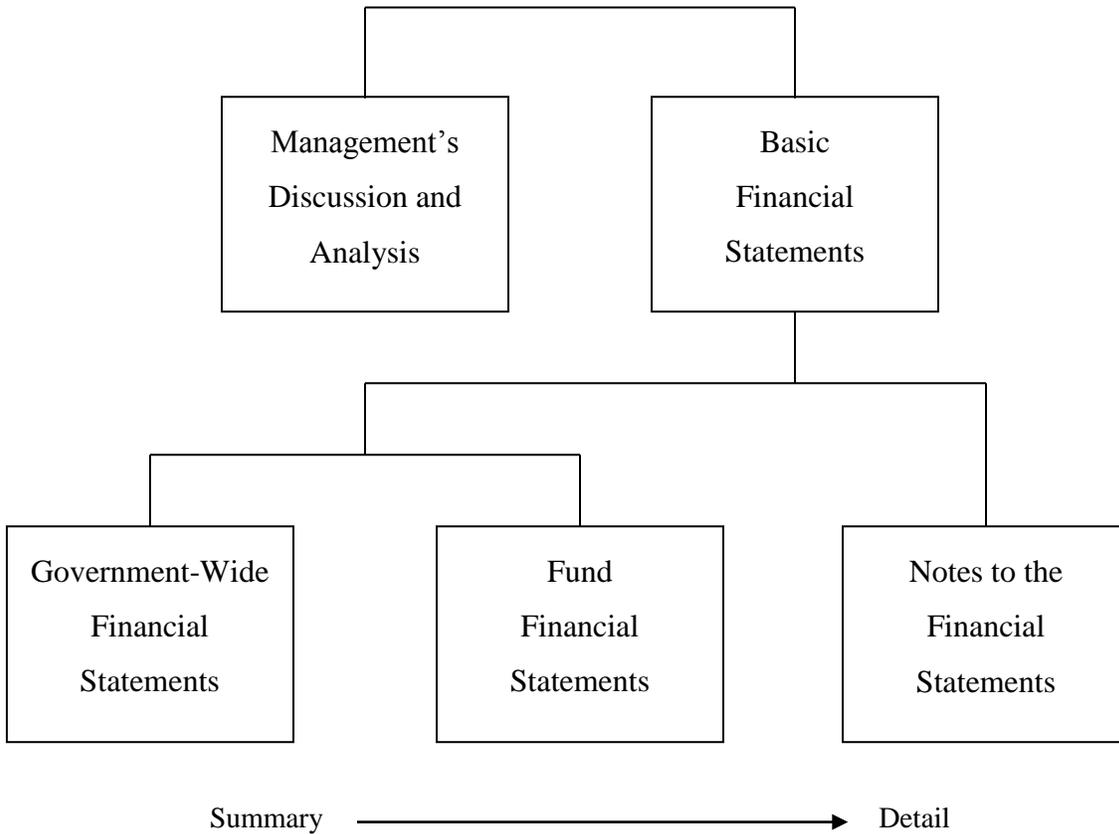
- The assets and deferred outflows of resources of the Town of Taylorsville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,968,174 (*net position*).
- The government's total net position increased by \$1,680,714, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Taylorsville's governmental funds reported an ending fund balance of \$562,139, an increase of \$1,324, in comparison with the prior year. Approximately 47.0% of this total amount, or \$264,359, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$457,322, or 26.3%, of total General Fund expenditures for the fiscal year.
- The Town of Taylorsville's total debt decreased by \$91,248 (4%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Taylorsville'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 Taylorsville.

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Government-Wide Financial Statements

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

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

The government-wide statements 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, economic and physical development, streets and public works, and general administration. Property taxes and federal and State 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 Taylorsville.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements 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 Taylorsville, 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 Taylorsville 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*. This method also has a current financial resources 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 governmental 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 Taylorsville 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.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Taylorsville's progress in funding its obligation to provide pension benefits to its employees.

Interdependence with Other Entities. The Town depends on financial resource 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Positive Community Impact: Urgent Care Building Re-use CDBG Project. The Urgent Care Building Re-use Commerce Rural Development grant is used to provide Town and area residents with care 12 hours per day, seven days per week. The focus is to address a known deficit of afterhours and weekend care alternatives within the Town limits. The facility is owned by the town and the actual medical operation is a privately owned entity, Urgent Care of Mountain View, Mr. Brian M. Bechtol. The Town incurred all expenses relative to the building exterior renovation while Mr. Bechtol assumed all costs for the interior renovations. The Town would be remiss to omit the great support given by the local community, North Carolina Department of Commerce, and the surrounding businesses. This project has been a team effort from the beginning all based initially on a handshake between the Town and Mr. Bechtol.

Government-Wide Financial Analysis

Town of Taylorsville's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 697,170	\$ 646,529	\$ 2,260,668	\$ 2,276,386	\$ 2,957,838	\$ 2,922,915
Capital assets, net	1,312,754	1,209,879	12,736,252	11,466,630	14,049,006	12,676,509
Total assets	<u>2,009,924</u>	<u>1,856,408</u>	<u>14,996,920</u>	<u>13,743,016</u>	<u>17,006,844</u>	<u>15,599,424</u>
Total deferred outflows	<u>41,967</u>	<u>41,676</u>	<u>22,598</u>	<u>22,441</u>	<u>64,565</u>	<u>64,117</u>
Liabilities:						
Current liabilities	40,522	56,695	172,056	445,266	212,578	501,961
Other liabilities	<u>422,289</u>	<u>444,879</u>	<u>2,217,236</u>	<u>2,429,241</u>	<u>2,639,525</u>	<u>2,874,120</u>
Total liabilities	<u>462,811</u>	<u>501,574</u>	<u>2,389,292</u>	<u>2,874,507</u>	<u>2,852,103</u>	<u>3,376,081</u>
Total deferred inflows	<u>163,236</u>	<u>-</u>	<u>87,896</u>	<u>-</u>	<u>251,132</u>	<u>-</u>
Net Position:						
Net investment in capital assets	1,252,754	1,209,879	10,667,173	9,246,303	11,919,927	10,456,182
Restricted	264,359	241,386	-	-	264,359	241,386
Unrestricted	<u>(91,269)</u>	<u>(54,755)</u>	<u>1,875,157</u>	<u>1,644,647</u>	<u>1,783,888</u>	<u>1,589,892</u>
Total net position	<u>\$ 1,425,844</u>	<u>\$ 1,396,510</u>	<u>\$ 12,542,330</u>	<u>\$ 10,890,950</u>	<u>\$ 13,968,174</u>	<u>\$ 12,287,460</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Taylorsville exceeded liabilities and deferred inflows as of June 30, 2015. The Town's net position increased by \$1,680,714 for the fiscal year ended June 30, 2015. The largest portion of net assets (85.3%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment.) The Town of Taylorsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Taylorsville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town of Taylorsville's net position represents resources that are subject to external restrictions on how they may be used. The total amount restricted for the year ended June 30, 2015 was \$264,359. The remaining balance of \$1,783,888 is unrestricted.

The Town of Taylorsville implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net position asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$144,414. Decisions regarding the allocations are made by administrators of the pension plan, not by the Town of Taylorsville's management.

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

- Operating efficiently, with 19 full-time personnel and prioritizing expenditures
- Foregoing major General Fund capital purchases by repairing and maintaining existing capital assets

Town of Taylorsville's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 292,814	\$ 293,062	\$ 2,293,228	\$ 2,212,668	\$ 2,586,042	\$ 2,505,730
Operating grants and contributions	111,914	62,741	-	3,250	111,914	65,991
Capital grants and contributions	-	-	1,641,044	1,410,005	1,641,044	1,410,005
General revenues:						
Property taxes	665,811	654,859	-	-	665,811	654,859
Local option sales tax	296,924	275,259	-	-	296,924	275,259
Other taxes and licenses	3,616	52,882	-	-	3,616	52,882
Unrestricted intergovernmental revenues	361,827	379,971	-	-	361,827	379,971
Investment earnings, unrestricted	5,290	1,111	205	239	5,495	1,350
Total revenues	1,738,196	1,719,885	3,934,477	3,626,162	5,672,673	5,346,047
Expenses:						
General government	242,557	204,292	-	-	242,557	204,292
Public safety	954,194	1,004,160	-	-	954,194	1,004,160
Streets and public works	446,354	401,219	-	-	446,354	401,219
Cultural and recreation	54,056	60,612	-	-	54,056	60,612
Environmental protection	-	50,000	-	-	-	50,000
Other operations	11,701	126,632	-	-	11,701	126,632
Water and sewer	-	-	2,283,097	1,898,086	2,283,097	1,898,086
Total expenses	1,708,862	1,846,915	2,283,097	1,898,086	3,991,959	3,745,001
Increase (decrease) in net position	29,334	(127,030)	1,651,380	1,728,076	1,680,714	1,601,046
Net Position:						
Beginning of year - July 1	1,395,477	1,522,507	10,941,495	9,213,419	12,336,972	10,735,926
Restatement	1,033	-	(50,545)	-	(49,512)	-
Beginning of year - July 1, restated	1,396,510	1,522,507	10,890,950	9,213,419	12,287,460	10,735,926
End of year - June 30	\$ 1,425,844	\$ 1,395,477	\$ 12,542,330	\$ 10,941,495	\$ 13,968,174	\$ 12,336,972

Governmental Activities. Governmental activities increased the Town of Taylorsville's net position by \$29,334. Key elements of this increase are as follows:

- A focused approach to providing essential services with less personnel and extending the useful service life of Town owned assets. The renovation and successful private operation of an urgent care facility, a first in the history of The Town of Taylorsville.

Business-Type Activities. Business-type activities increased the Town of Taylorsville's net position by \$1,651,380. Key elements of this increase are as follows:

- Receipt of Millersville Sewer Water System efficiency grant proceeds for construction of water and sewer system major improvements. Enhancements to our water storage and distribution facilities consisting of a 1.4M Grant-Loan partnership with Energy United Water
- Contracting with local private firms to assist in the operation and care of our public infrastructure

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Taylorsville'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 Taylorsville's financing requirements. Specifically, available 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 Taylorsville. At the end of the current fiscal year, available fund balance of the General Fund was \$465,026, while total fund balance was \$721,681. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 26.7% of total General Fund expenditures, while total fund balance represents 41.5% of total General Fund expenditures.

The General Fund, the Building Re-use Capital Project Fund, and the Urgent Care Re-Use Building CDBG Project Fund are the only governmental funds of the Town. At June 30, 2015, the governmental funds of the Town of Taylorsville reported a total fund balance of \$562,139, a 0.24% increase from last year.

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. Total amendments to the General Fund increased revenues and other financing sources by \$303,200, which is 17.6% more than originally budgeted. Amendments were necessary due to conservatism used in compiling the original budget.

Proprietary Funds. The Town of Taylorsville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year totaled \$1,875,157. The total growth in net position for the Water and Sewer Fund was \$1,651,380. Factors concerning the finances of the Enterprise Fund have already been addressed in the discussion of the Town of Taylorsville's business-type activities.

Capital and Intangible Assets and Debt Administration

Capital Assets. The Town of Taylorsville's capital assets for its governmental and business-type activities as of June 30, 2015 total \$14,049,006 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

Major capital asset transactions during the year include:

- Addition of construction in progress relating to the Town's water and sewer system

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 439,015	\$ 404,015	\$ 247,310	\$ 247,310	\$ 686,325	\$ 651,325
Buildings	1,020,250	858,139	73,393	73,393	1,093,643	931,532
Infrastructure	172,546	172,546	-	-	172,546	172,546
System	-	-	15,062,823	12,568,275	15,062,823	12,568,275
Vehicles and equipment	900,446	830,930	509,719	509,719	1,410,165	1,340,649
Water capacity	-	-	750,000	750,000	750,000	750,000
Construction in progress	-	-	2,371,848	3,171,070	2,371,848	3,171,070
Total	2,532,257	2,265,630	19,015,093	17,319,767	21,547,350	19,585,397
Accumulated depreciation and amortization	<u>(1,219,503)</u>	<u>(1,150,653)</u>	<u>(6,278,841)</u>	<u>(5,853,137)</u>	<u>(7,498,344)</u>	<u>(7,003,790)</u>
Capital assets, net	<u>\$ 1,312,754</u>	<u>\$ 1,114,977</u>	<u>\$12,736,252</u>	<u>\$11,466,630</u>	<u>\$14,049,006</u>	<u>\$12,581,607</u>

Additional information on the Town's capital assets can be found in note 2A of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2015, the Town of Taylorsville had total notes payable outstanding of \$2,129,079, all of which is secured by assets of the Town.

**Town of Taylorsville's Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
LGERS	\$ -	\$ 135,545	\$ -	\$ 72,986	\$ -	\$ 208,531
Installment notes payable	60,000	-	2,069,079	2,090,178	2,129,079	2,090,178
Total	<u>\$ 60,000</u>	<u>\$ 135,545</u>	<u>\$ 2,069,079</u>	<u>\$ 2,163,164</u>	<u>\$ 2,129,079</u>	<u>\$ 2,298,709</u>

The Town of Taylorsville's total debt decreased by \$169,630 (7%) during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Taylorsville is approximately \$15,000,000.

Additional information regarding the Town of Taylorsville's long-term debt can be found in the notes of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting the Town:

The Loss of Property values in excess of \$5,000,000 within the Town limits are due to Alexander County's extended Revaluation Cycle. The true effect of the 2008 recession has resulted in decreases in property values. Poverty continues to exist in excess of 26% within the Town limits; the annual household income in Taylorsville continues to be considerably lower than Alexander County and the State, respectively. Taylorsville, in many ways, is an eastern North Carolina town, which happens to be in the west.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. Overall, General Fund revenues are expected to remain similar to the amounts received during the audited fiscal year. The General Fund tax rate has not increased since 1976 and in addition, several business property values have begun to decline due to economic obsolescence. The Town of Taylorsville has completed a successful urgent care partnership with Urgent Care of Mountain View; the facility has operated since September 2014.

Business-Type Activities. Overall, water and sewer revenues are budgeted to increase compared to 2014-2015 amounts due to limited growth and the addition of several new users consisting of Brushy Mountain Golf Course and Lodge are complete and operational. The Town also has embarked on a significant project to extend sewer service to businesses and homes located on Hwy 16 South. Millersville Sewer is significantly grant funded, and is now operational. The Town and Energy United Water have partnered to continue joint water system efficiencies consisting of new shared technologies, repair of existing lines, strategic valve replacements, and numerous small scale projects.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, 67 Main Avenue Drive, Taylorsville, North Carolina 28681.

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TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 497,844	\$ 1,760,269	\$ 2,258,113
Taxes receivable, net	28,614	-	28,614
Accounts receivable, net	-	316,825	316,825
Other receivables	15,387	150	15,537
Notes receivable, current	-	4,231	4,231
Due from other governments	81,726	54,516	136,242
Cash, restricted	7,704	8,799	16,503
Total current assets	<u>631,275</u>	<u>2,144,790</u>	<u>2,776,065</u>
Non-current assets:			
Net pension asset	<u>65,895</u>	<u>35,482</u>	<u>101,377</u>
Capital assets:			
Land and construction in progress	439,015	2,371,848	2,810,863
Other capital assets, net	<u>873,739</u>	<u>10,364,404</u>	<u>11,238,143</u>
Total capital assets	<u>1,312,754</u>	<u>12,736,252</u>	<u>14,049,006</u>
Notes receivable	-	80,396	80,396
Total non-current assets	<u>1,378,649</u>	<u>12,852,130</u>	<u>14,230,779</u>
Total assets	<u>2,009,924</u>	<u>14,996,920</u>	<u>17,006,844</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	<u>41,967</u>	<u>22,598</u>	<u>64,565</u>
Liabilities:			
Accounts payable and accrued liabilities	40,522	163,257	203,779
Liabilities to be paid from restricted assets:			
Utility deposits	-	8,799	8,799
Long-term liabilities:			
Due in less than one year	54,530	200,042	254,572
Due in more than one year	<u>367,759</u>	<u>2,017,194</u>	<u>2,384,953</u>
Total liabilities	<u>462,811</u>	<u>2,389,292</u>	<u>2,852,103</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>163,236</u>	<u>87,896</u>	<u>251,132</u>
Net Position:			
Net investment in capital assets	1,252,754	10,667,173	11,919,927
Restricted for:			
Stabilization by State statute	256,655	-	256,655
Restricted, streets	7,704	-	7,704
Unrestricted	<u>(91,269)</u>	<u>1,875,157</u>	<u>1,783,888</u>
Total net position	<u>\$ 1,425,844</u>	<u>\$ 12,542,330</u>	<u>\$ 13,968,174</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 242,557	\$ 225,523	\$ 50,000	\$ -
Public safety	954,194	42,116	927	-
Street and public works	446,354	-	60,987	-
Other operations	11,701	25,175	-	-
Cultural and recreation	54,056	-	-	-
Total governmental activities	<u>1,708,862</u>	<u>292,814</u>	<u>111,914</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>2,283,097</u>	<u>2,293,228</u>	<u>-</u>	<u>1,641,044</u>
Total primary government	<u>\$ 3,991,959</u>	<u>\$ 2,586,042</u>	<u>\$ 111,914</u>	<u>\$ 1,641,044</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (32,966)	\$ -	\$ (32,966)
Public safety	911,151	-	911,151
Street and public works	385,367	-	385,367
Other operations	(13,474)	-	(13,474)
Cultural and recreation	54,056	-	54,056
Total governmental activities	1,304,134	-	1,304,134
Business-Type Activities:			
Water and sewer	-	(1,651,175)	(1,651,175)
Total primary government	1,304,134	(1,651,175)	(347,041)
General Revenues:			
Ad valorem taxes	665,811	-	665,811
Local option sales tax	296,924	-	296,924
Other taxes and licenses	3,616	-	3,616
Unrestricted intergovernmental revenues	361,827	-	361,827
Investment earnings, unrestricted	5,290	205	5,495
Total general revenues	1,333,468	205	1,333,673
Change in net position	29,334	1,651,380	1,680,714
Net Position:			
Beginning of year - July 1	1,395,477	10,941,495	12,336,972
Restatement	1,033	(50,545)	(49,512)
Beginning of year - July 1 as restated	1,396,510	10,890,950	12,287,460
End of year - June 30	\$ 1,425,844	\$ 12,542,330	\$ 13,968,174

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Urgent Care Building Re-Use Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 497,844	\$ -	\$ -	\$ 497,844
Taxes receivable, net	28,614	-	-	28,614
Due from other governments	81,726	-	-	81,726
Other receivables	15,387	-	-	15,387
Due from other funds	159,542	-	-	159,542
Cash, restricted	7,704	-	-	7,704
Total assets	<u>\$ 790,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,817</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 40,522	\$ -	\$ -	\$ 40,522
Due to other funds	-	153,035	6,507	159,542
Total liabilities	<u>40,522</u>	<u>153,035</u>	<u>6,507</u>	<u>200,064</u>
Deferred Inflows of Resources:				
Property taxes receivable	28,614	-	-	28,614
Total deferred inflows of resources	<u>28,614</u>	<u>-</u>	<u>-</u>	<u>28,614</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	256,655	-	-	256,655
Restricted, streets	7,704	-	-	7,704
Unassigned	457,322	(153,035)	(6,507)	297,780
Total fund balances	<u>721,681</u>	<u>(153,035)</u>	<u>(6,507)</u>	<u>562,139</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 790,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>790,817</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:				
Net pension asset				65,895
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				1,312,754
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.				41,967
Long-term liabilities, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.				(422,289)
Liabilities for earned revenues are considered deferred inflows of resources in fund statements.				28,614
Pension related deferrals				<u>(163,236)</u>
Net position of governmental activities				<u>\$ 1,425,844</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Urgent Care Building Re-Use Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 666,216	\$ -	\$ -	\$ 666,216
Other taxes and licenses	300,540	-	-	300,540
Unrestricted intergovernmental revenues	361,827	-	-	361,827
Restricted intergovernmental revenues	61,914	50,000	-	111,914
Sales and services	25,175	-	-	25,175
Investment earnings	5,290	-	-	5,290
Miscellaneous	<u>267,639</u>	<u>-</u>	<u>-</u>	<u>267,639</u>
Total revenues	<u>1,688,601</u>	<u>50,000</u>	<u>-</u>	<u>1,738,601</u>
Expenditures:				
Current:				
General government	216,009	58,133	-	274,142
Public safety	922,520	-	-	922,520
Street and public works	430,740	-	-	430,740
Other operations	11,700	-	-	11,700
Cultural and recreational	41,348	-	-	41,348
Capital outlay	<u>116,827</u>	<u>-</u>	<u>-</u>	<u>116,827</u>
Total expenditures	<u>1,739,144</u>	<u>58,133</u>	<u>-</u>	<u>1,797,277</u>
Revenues over (under) expenditures	<u>(50,543)</u>	<u>(8,133)</u>	<u>-</u>	<u>(58,676)</u>
Other Financing Sources (Uses):				
Long-term debt issued	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total other financing sources (uses)	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Net change in fund balances	9,457	(8,133)	-	1,324
Fund Balances:				
Beginning of year - July 1	<u>712,224</u>	<u>(144,902)</u>	<u>(6,507)</u>	<u>560,815</u>
End of year - June 30	<u>\$ 721,681</u>	<u>\$ (153,035)</u>	<u>\$ (6,507)</u>	<u>\$ 562,139</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,324
Property tax revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds statement	(405)
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.	
Compensated absences	(18,853)
Pension expense	(3,472)
Expenses related to other post-employment benefits that do not require current financial resources are not reported in expenditures in the governmental funds statement.	(34,102)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	41,967
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	171,725
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(68,850)
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.	<u>(60,000)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 29,334</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 665,000	\$ 665,000	\$ 666,216	\$ 1,216
Other taxes and licenses	255,450	255,450	300,540	45,090
Unrestricted intergovernmental revenues	343,925	343,925	361,827	17,902
Restricted intergovernmental revenues	60,600	60,600	61,914	1,314
Sales and services	17,000	17,000	25,175	8,175
Investment earnings	1,300	1,300	5,290	3,990
Miscellaneous	235,035	235,035	267,639	32,604
Total revenues	<u>1,578,310</u>	<u>1,578,310</u>	<u>1,688,601</u>	<u>110,291</u>
Expenditures:				
Current:				
General government	276,602	259,027	216,009	43,018
Public safety	877,653	924,431	922,520	1,911
Street and public works	336,655	437,155	430,740	6,415
Other operations	10,000	16,899	11,700	5,199
Cultural and recreational	20,850	59,050	41,348	17,702
Capital outlay	56,550	124,948	116,827	8,121
Debt service:				
Principal	-	60,000	-	60,000
Total expenditures	<u>1,578,310</u>	<u>1,881,510</u>	<u>1,739,144</u>	<u>142,366</u>
Revenues over (under) expenditures	<u>-</u>	<u>(303,200)</u>	<u>(50,543)</u>	<u>252,657</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	60,000	60,000	-
Appropriated fund balance	-	243,200	-	(243,200)
Total other financing sources (uses)	<u>-</u>	<u>303,200</u>	<u>60,000</u>	<u>(243,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,457</u>	<u>\$ 9,457</u>
Fund Balance:				
Beginning of year - July 1			<u>712,224</u>	
End of year - June 30			<u>\$ 721,681</u>	

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Water and Sewer Fund
Assets:	
Current assets:	
Cash and investments	\$ 1,760,269
Accounts receivable, net	316,825
Other receivables	150
Notes receivable, current	4,231
Due from other governments	54,516
Restricted cash and cash equivalents	8,799
Total current assets	<u>2,144,790</u>
Non-current assets:	
Net pension asset	<u>35,482</u>
Capital assets:	
Construction in progress	2,371,848
Other capital assets, net	<u>10,364,404</u>
Total capital assets	<u>12,736,252</u>
Notes receivable	<u>80,396</u>
Total non-current assets	<u>12,852,130</u>
Total assets	<u>14,996,920</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	<u>22,598</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	163,257
Liabilities to be paid from restricted assets:	
Utility deposits	8,799
Compensated absences	17,000
Long-term debt	<u>183,042</u>
Total current liabilities	<u>372,098</u>
Non-current liabilities:	
Compensated absences	17,007
Long-term debt	1,886,037
Other post-employment benefits	<u>114,150</u>
Total non-current liabilities	<u>2,017,194</u>
Total liabilities	<u>2,389,292</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>87,896</u>
Net Position:	
Net investment in capital assets	10,667,173
Unrestricted	<u>1,875,157</u>
Total net position	<u>\$ 12,542,330</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,163,765
Other operating revenues	129,463
Total operating revenues	<u>2,293,228</u>
Operating Expenses:	
Operations	1,813,255
Depreciation and amortization	425,704
Total operating expenses	<u>2,238,959</u>
Operating income (loss)	<u>54,269</u>
Non-Operating Revenues (Expenses):	
Investment earnings	205
Interest expense	<u>(44,138)</u>
Total non-operating revenues (expenses)	<u>(43,933)</u>
Income (loss) before capital contributions	10,336
Capital Contributions	<u>1,641,044</u>
Change in net position	<u>1,651,380</u>
Net Position:	
Beginning of year - July 1	10,941,495
Restatement	<u>(50,545)</u>
Beginning of year - July 1 as restated	<u>10,890,950</u>
End of year - June 30	<u>\$ 12,542,330</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,039,571
Other operating cash receipts	129,463
Cash paid for goods and services	(1,267,737)
Cash paid to employees	(367,127)
Net cash provided (used) by operating activities	<u>534,170</u>
Cash Flows from Capital and Related Financing Activities:	
Construction	(1,695,326)
Proceeds from long-term debt	12,736
Principal paid on long-term debt	(163,984)
Interest paid on debt	(44,138)
Capital contributions	<u>1,641,044</u>
Net cash provided (used) by capital and related financing activities	<u>(249,668)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>205</u>
Increase (decrease) in cash and cash equivalents	284,707
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>1,484,361</u>
End of year - June 30	<u>\$ 1,769,068</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 54,269
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	425,704
Pension expense (benefit)	1,869
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	420,534
(Increase) decrease in deferred pension outflows	(22,598)
(Increase) decrease in notes receivable	(84,627)
Increase (decrease) in accounts payable and accrued expenses	(256,428)
Increase (decrease) in customer deposits	(16,782)
Increase (decrease) in other post-employment benefits	9,715
Increase (decrease) in compensated absences	<u>2,514</u>
Net cash provided (used) by operating activities	<u>\$ 534,170</u>

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Taylorsville (the “Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present 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 different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation service, and general governmental services.

Urgent Care Building Re-Use CDBG Project. The Urgent Care Building Re-Use Commerce Rural Development grant is used to provide Town and area residents with care 12 hours per day, seven days per week.

The Town reports the following major enterprise funds:

Enterprise Fund. The Enterprise Fund is used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund - the Water and Sewer Fund. The Water and Sewer Capital Projects funds have been consolidated with the Water and Sewer Fund for financial reporting purposes.

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

Sales taxes and certain intergovernmental revenues, such as 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 for the Town of Taylorsville because the tax is levied by Alexander 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Building Re-Use Capital Project Fund, Urgent Care Building Re-Use CDBG Project, and the Enterprise Capital Project funds. The Millersville Sanitary Sewer Project, Millstead Woods Apartment, Various Sewer Projects, Brushy Mountain Golf Course Sewer Project, and Water System Reliability and Improvements are enterprise capital project funds. The Enterprise Fund projects are consolidated with their respective operating fund 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. The Town Manager is authorized to transfer amounts up to \$5,000 between departments including contingency appropriations within the same fund. The Town Manager must make an official report on such transfers at the next regular meeting of the governing board. During the year, several 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 Inflows of Resources, and Fund Equity

Deposits and Investments

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

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices.

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 considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Restricted Assets

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. Customer deposits held by the Town before any services were supplied are restricted to the service for which the deposits were collected.

<u>Town of Taylorsville Restricted Cash</u>			
Governmental Activities			
General Fund	Streets	\$	7,704
Business-Type Activities			
Water and Sewer Fund	Utility deposits	\$	<u>8,799</u>
Total Restricted Cash		\$	<u>16,503</u>

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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

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.

Notes Receivable

The Town is under an agreement with Energy United for the completion of the Water Efficiency Project. Under this agreement, Energy United will reimburse the Town for 27.5% of the outstanding balance until completion of the project.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital and Intangible 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated assets are listed at the market value at the date of donation. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of general fixed assets. 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.

Certain items are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

	<u>Estimated Useful Lives</u>
General governmental infrastructure - road network	45 years
General governmental infrastructure - bridges	50 years
Buildings	40 years
Other improvements	10-40 years
Equipment and vehicles	3-10 years

Intangible assets are amortized over the following useful lives to the cost of the assets:

	<u>Estimated Useful Lives</u>
Water capacity	30 years

Deferred Outflows/Inflows of Resources

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

In the government-wide financial statements and in the 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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

The Town's long-term debt for water and sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by water and sewer revenues, but the taxing power of the Town is pledged to make these payments if water and sewer revenues should ever be insufficient.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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 – portion of fund balance that is restricted by appropriation, but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

The Town has not adopted a formal fund balance policy.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	\$	721,681
Less:		
Stabilization by State Statute		<u>256,655</u>
Total available fund balance	\$	<u><u>465,026</u></u>

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Taylorsville's employer contributions are recognized when due and the Town of Taylorsville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

2. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their 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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of \$2,274,616 and a bank balance of \$2,287,602. Of the bank balance, \$601,874 was covered by federal depository insurance, and \$1,685,728 was covered by collateral held under the Pooling Method. All of the bank balance was covered by federal depository insurance.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2015 were as follows:

			Due from Other Governments	Other Receivables	Total
	<u>Accounts</u>	<u>Taxes</u>			
Governmental Activities:					
General	\$ -	\$ 63,614	\$ 81,726	\$ 15,387	\$ 160,727
Allowance for doubtful accounts	-	(35,000)	-	-	(35,000)
Total governmental activities	<u>\$ -</u>	<u>\$ 28,614</u>	<u>\$ 81,726</u>	<u>\$ 15,387</u>	<u>\$ 125,727</u>
Business-Type Activities:					
Water and sewer	\$ 522,635	\$ -	\$ 54,516	\$ 150	\$ 577,301
Allowance for doubtful accounts	(205,810)	-	-	-	(205,810)
Total business-type activities	<u>\$ 316,825</u>	<u>\$ -</u>	<u>\$ 54,516</u>	<u>\$ 150</u>	<u>\$ 371,491</u>

Due from other governments consisted of the following:

Sales tax refund	\$ 81,726
Grant receivable	<u>54,516</u>
Total	<u>\$ 136,242</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

A summary of changes in the Town's governmental capital assets is as follows:

	Restated July 1, 2014	Additions	Retirements	June 30, 2015
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 404,015	\$ 35,000	\$ -	\$ 439,015
Construction in progress	94,902	58,133	(153,035)	-
Total non-depreciable assets	404,015	93,133	(153,035)	439,015
 Depreciable Assets:				
Building and improvements	858,139	162,111	-	1,020,250
Infrastructure	172,546	-	-	172,546
Equipment	376,524	10,195	-	386,719
Vehicles	454,406	59,321	-	513,727
Total depreciable assets	1,861,615	231,627	-	2,093,242
 Less Accumulated Depreciation:				
Building and improvements	(390,014)	(31,154)	-	(421,168)
Infrastructure	(28,437)	(3,834)	-	(32,271)
Equipment	(301,291)	(21,867)	-	(323,158)
Vehicles	(430,911)	(11,995)	-	(442,906)
Total accumulated depreciation	(1,150,653)	(68,850)	-	(1,219,503)
 Governmental activities				
Capital assets, net	\$ 1,209,879	\$ 255,910	\$ (153,035)	\$ 1,312,754

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Governmental Activities:	
General government	\$ 19,427
Public safety	18,418
Public works	19,232
Cultural and recreational	<u>11,773</u>
Total	<u><u>\$ 68,850</u></u>

Capital assets as presented above have been restated by \$94,902 (increased) to account for misstatements in prior periods. See Note 6 for additional clarification.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Proprietary Capital Assets

The capital assets of the Proprietary Fund of the Town at June 30, 2015 were as follows:

By Asset Type:	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Non-Depreciable Assets:				
Construction in progress	\$ 3,171,070	\$ 1,695,326	\$ (2,494,548)	\$ 2,371,848
Depreciable and Amortizable Assets:				
Land and improvements	247,310	-	-	247,310
Water and sewer pumps and lines	12,568,275	2,494,548	-	15,062,823
Building	73,393	-	-	73,393
Vehicles	124,611	-	-	124,611
Equipment	385,108	-	-	385,108
Water capacity	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Total depreciable and amortizable assets	<u>14,148,697</u>	<u>2,494,548</u>	<u>-</u>	<u>16,643,245</u>
Less Accumulated Depreciation and Amortization:				
Land and improvements	(59,441)	(629)	-	(60,070)
Water and sewer pumps and lines	(5,310,583)	(364,865)	-	(5,675,448)
Building	(37,424)	(4,838)	-	(42,262)
Vehicles	(115,403)	(4,695)	-	(120,098)
Equipment	(140,703)	(25,677)	-	(166,380)
Water capacity	<u>(189,583)</u>	<u>(25,000)</u>	<u>-</u>	<u>(214,583)</u>
Total accumulated depreciation and amortization	<u>(5,853,137)</u>	<u>(425,704)</u>	<u>-</u>	<u>(6,278,841)</u>
Business-type activities				
Capital assets, net	<u>\$ 11,466,630</u>	<u>\$ 3,764,170</u>	<u>\$ (2,494,548)</u>	<u>\$ 12,736,252</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 1,312,754	\$ 12,736,252
Long-term debt	(60,000)	(2,069,079)
Net investment in capital assets	\$ 1,252,754	\$ 10,667,173

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 20,555	\$ 19,967	\$ 40,522
Business-Type Activities:			
Water and sewer	\$ 156,744	\$ 6,513	\$ 163,257

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Taylorsville 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 Taylorsville's contractually required contribution rate for the year ended June 30, 2015, was 14.29% of compensation for law enforcement officers and 13.81% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Taylorsville were \$64,565 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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

At June 30, 2015, the Town reported an asset of \$101,377 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 0.0172%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$5,341. 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	\$ -	\$ 11,078
Net difference between projected and actual earnings on pension plan investments	-	236,004
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	4,050
Town contributions subsequent to the measurement date	64,565	-
Total	\$ 64,565	\$ 251,132

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The \$64,565 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2016	\$ (62,792)
2017	(62,792)
2018	(62,792)
2019	(62,756)
2020	-
Thereafter	-
Total	<u>\$ (251,132)</u>

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

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

The actuarial assumptions used in the December 31, 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

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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>100.0%</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 the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 344,119</u>	<u>\$ (101,377)</u>	<u>\$ (476,471)</u>

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.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town 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% 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 membership consisted of:

Retirees and beneficiaries currently receiving benefits	-	
Current employees	10	
Total	10	

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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Separation Allowance has no assets accumulated in a trust that meet 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, non-employer contributing entities, the plan administrator, and plan members.

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Town has not obtained an actuarial valuation of the plan because its required contributions are considered immaterial.

A separate report was not issued for the plan.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$33,013, which consisted of \$23,469 from the Town and \$9,544 from the law enforcement officers.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Supplemental Retirement Income Plan for Non-Law Enforcement Employees

All non-law enforcement employees employed by the Town participate in the Supplemental Retirement Income Plan, a defined contribution pension plan. The Town has no requirement or obligation under State Statutes to contribute to this plan; however, the Town has adopted the Supplemental Retirement Plan of North Carolina 401(k) for its non-law enforcement employees. The Town contributes 5% of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$26,624, which consisted of \$20,199 from the Town and \$6,425 from the non-law enforcement employees.

Other Post-Employment Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The HCB Plan provides post-employment healthcare benefits in the form of a defined contribution to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System), have fifteen or more years of service with the Town and are at least fifty years of age, or who have thirty years of service with the Town, regardless of age, were hired before July 1, 2010, and retire under the North Carolina Local Governmental Employment System, are eligible to receive Town benefits in the form of a defined benefit stipend. Employees who have at least thirty years of service with the Town and are at least fifty-five years of age, were hired on or after July 1, 2010, and retire under the North Carolina Local Governmental Employment System, before being eligible to receive Town benefits in the form of a defined benefit stipend. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town pays to the retiree the cost of coverage for these benefits ranging from 0% to 100%, depending on the years of service with the Town at retirement. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the HCB Plan.

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation.

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members, general employees	9
Active plan members, law enforcement officers	<u>11</u>
Total	<u>23</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Funding Policy. The Town pays the cost of coverage for the healthcare benefits paid to qualified retirees, ranging from 0% to 100%, depending on the years of service with the Town at retirement, under a Town resolution that can be amended by the Board of Commissioners. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current annual required contribution rate is 6.17% of annual covered payroll. For the current year, the Town contributed \$8,465, or 1.00%, of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

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

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 51,633
Interest on net pension obligation	14,518
Adjustment to annual required contribution	<u>(13,869)</u>
Annual pension cost (expense)	52,282
Contributions made	<u>(8,465)</u>
Increase (decrease) in net pension obligation	43,817
Net pension obligation:	
Beginning of year - July 1	<u>362,946</u>
End of year - June 30	<u>\$ 406,763</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Town's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation as of June 30, 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 52,282	16.19%	\$ 406,763
2014	52,204	16.00%	362,946
2013	52,127	18.50%	319,094

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$591,689. The covered payroll (annual payroll of active employees covered by the plan) was \$836,288, and the ratio of the UAAL to the covered payroll was 70.8%. Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual pre-Medicare medical cost trend increase of 8.50 to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible employees. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in fiscal year	\$ 64,565

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

	<u>Amount</u>
Taxes receivable (net)	\$ 28,614
Pension deferrals	<u>251,132</u>
Total	<u>\$ 279,746</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded, risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has workers' compensation coverage that provides for coverage of losses up to the statutory limits set by the Insurance Commission. The pool is reinsured through commercial companies for single occurrence claims in excess of \$1,000,000.

The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

Long-Term Obligations

The Town's installment purchase obligations payable at June 30, 2015 are comprised of the following:

Notes Payable

\$60,000 note payable issued January 2015, interest at 2.39% General Obligation Loan, beginning January 2016, due in annual installments of \$19,530, plus interest, with a final payment due in fiscal year 2018 \$ 60,000

Annual debt service requirements to maturity for the Town's governmental activities installment note purchases are as follows:

Year Ending			
June 30	Principal	Interest	Total
2016	\$ 19,530	\$ 1,433	\$ 20,963
2017	19,996	967	20,963
2018	<u>20,474</u>	<u>489</u>	<u>20,963</u>
Total	<u>\$ 60,000</u>	<u>\$ 2,889</u>	<u>\$ 62,889</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Business-Type Activities:

\$1,196,868 payable to Energy United issued June 2007, interest at 2.30% payable in annual installments of \$79,304, including interest, beginning June 2007, with a final payment due in fiscal year 2027, secured by water interconnect and rights to water capacity	\$ 707,051
\$650,000 payable to bank issued March 2009, interest at 3.79%, payable in annual installments of \$79,304, including interest, beginning June 2009, with a final payment due in fiscal year 2019, secured by equipment	378,713
\$508,961 payable to NCDENR issued November 2009, interest at -0% Federal Revolving Loan, beginning May 2011, payable in annual installments of \$25,448, with a final payment due in fiscal year 2030	289,294
\$102,000 payable to NCDENR issued September 2009, interest at -0% Federal Revolving Loan, beginning May 2011, payable in annual installments of \$5,100, with a final payment due in fiscal year 2030	76,079
\$344,673 payable to NCDENR issued July 2012, interest at 2% Federal Revolving Loan, beginning November 2011, due in annual installments of \$17,234 plus interest, with a final payment due in fiscal year 2033	310,206
\$307,736 payable to NCDENR issued September 2012, interest at -0% Federal Revolving Loan, beginning May 2016, due in annual installments of \$14,750, with a final payment due in fiscal year 2035	<u>307,736</u>
Total	<u>\$ 2,069,079</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Annual debt service requirements to maturity for the Town's business-type activities notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 183,042	\$ 33,211	\$ 216,253
2017	186,835	29,073	215,908
2018	190,755	24,809	215,564
2019	194,805	20,415	215,220
2020	119,686	15,885	135,571
2021-2025	618,839	53,847	672,686
2026-2030	446,483	14,169	460,652
2031-2035	128,634	2,068	130,702
Total notes payable	<u>\$ 2,069,079</u>	<u>\$ 193,477</u>	<u>\$ 2,262,556</u>

A summary of long-term debt is as follows:

	July 1, 2014	Additions	Retirements	June 30, 2015	Current Portion
Governmental Activities:					
Notes payable	\$ -	\$ 60,000	\$ -	\$ 60,000	\$ 19,530
Accrued vacation pay	50,823	42,929	24,076	69,676	35,000
Pension liability-LGERS	135,545	-	135,545	-	-
OPEB	258,511	34,102	-	292,613	-
Total	<u>\$ 444,879</u>	<u>\$ 137,031</u>	<u>\$ 159,621</u>	<u>\$ 422,289</u>	<u>\$ 54,530</u>
Business-Type Activities:					
Notes payable	\$ 2,220,327	\$ 12,736	\$ 163,984	\$ 2,069,079	\$ 183,042
Accrued vacation pay	31,493	16,076	13,562	34,007	17,000
Pension liability-LGERS	72,986	-	72,986	-	-
OPEB	104,435	18,180	8,465	114,150	-
Total	<u>\$ 2,429,241</u>	<u>\$ 46,992</u>	<u>\$ 258,997</u>	<u>\$ 2,217,236</u>	<u>\$ 200,042</u>

The LGERS plan has a net pension asset as of June 30, 2015; however, the plan had a liability at the beginning of the fiscal year.

Compensated absences and net pension obligation typically have been liquidated in the General Fund compensated absences and are accounted for on a FIFO basis.

At June 30, 2015, the Town had a legal debt margin of approximately \$15,000,000.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Balance Due To/From Other Funds

Balances due to/from other funds at June 30, 2015 consist of the following:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Building Re-Use Capital Project Fund	\$ 6,507
General Fund	Urgent Care Building Re-Use Capital Project Fund	153,035
Total		<u>\$ 159,542</u>

The due to/from balances are due to a cash shortage (deficit cash) in the Building Re-Use Capital Project Fund and the Urgent Care Building Re-Use Capital Project funds.

3. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance of Individual Funds

The Town had deficits in fund balance as of June 30, 2015 as follows:

<u>Fund</u>	<u>Deficit</u>
Building Re-Use Capital Project Fund	\$ (6,507)
Urgent Care Building Re-Use CDBG Project	(153,035)
Total	<u>\$ (159,542)</u>

The Town will monitor the fund balance more closely in the future.

B. Expenditures Exceeding Appropriations

The Town had excess expenditures over appropriations as of June 30, 2015 as follows:

<u>Fund</u>	<u>Amount</u>
Urgent Care Building Re-Use CDBG Project	\$ (118,535)
Enterprise Fund Capital Project	(834)
Total	<u>\$ (119,369)</u>

The Town will monitor budgetary compliance more closely in the future.

C. Pre-Audit Procedures

The Town was in violation of the General Statute regarding pre-audit procedures of expenditures as of June 30, 2015. The Town will ensure compliance with pre-audit procedures in future years.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4. Jointly Governed Organization

The Town, in conjunction with four counties and 23 other municipalities, established the Western Piedmont Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$2,118 for membership fees and \$13,400 for administrative services to the Council during the fiscal year ended June 30, 2015.

5. Summary Disclosures of Significant Contingencies

A. Construction Commitments

The government has several active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Millersville community sewer	\$ 2,371,848	\$ 335,789
Total	<u>\$ 2,371,848</u>	<u>\$ 335,789</u>

B. 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 agreement. 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.

6. 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 ended 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 ended June 30, 2014). As a result, net position for the governmental activities and business-type activities decreased by \$93,869 and \$50,545, respectively.

Errors related to governmental activities capital assets were discovered in the current year. As a result, capital assets and net position for governmental activities were increased by \$94,902 to correct the prior period misstatement.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Subsequent Event

On August 12, 2015, the Town issued bonds in the amount of \$842,500 for upcoming sewer projects.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
RETIREE INSURANCE ALLOWANCE - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 918,181	\$ 918,181	0.00%	\$ 777,934	118.0%
12/31/2012	-	591,689	591,689	0.00%	836,288	70.8%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2015	\$ 51,633	\$ 8,465	16.39%
2014	51,633	8,352	16.18%
2013	51,633	9,642	18.67%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	8.50% - 5.00%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

TOWN OF TAYLORSVILLE, NORTH CAROLINA**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>
Town's proportion of the net pension liability (asset) (%)	0.0172%	0.0173%
Town's proportion of the net pension liability (asset) (\$)	\$ (101,377)	\$ 208,531
Town's covered-employee payroll	\$ 635,929	\$ 833,693
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(15.94%)	25.01%
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.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST TWO FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 64,565	\$ 64,118
Contributions in relation to the contractually required contribution	<u>64,565</u>	<u>64,118</u>
Covered-employee payroll	\$ 662,272	\$ 635,929
Contributions as a percentage of covered-employee payroll	9.75%	10.08%

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 661,800	\$ 661,074	\$ (726)	\$ 653,180
Penalties and interest	3,200	5,142	1,942	3,483
Total ad valorem taxes	665,000	666,216	1,216	656,663
Other Taxes and Licenses:				
Privilege licenses	6,400	3,616	(2,784)	52,882
Local option sales tax	249,050	296,924	47,874	275,259
Total other taxes and licenses	255,450	300,540	45,090	328,141
Unrestricted Intergovernmental Revenues:				
Franchise tax	97,800	126,664	28,864	107,344
Telecommunications tax	50,750	67,624	16,874	66,868
Beer and wine tax	9,600	10,068	468	9,164
Sales tax refund	48,800	2,359	(46,441)	43,685
Gasoline tax refunds	3,200	3,560	360	5,435
ABC profit distribution	12,500	3,542	(8,958)	12,400
Hold harmless	121,275	146,666	25,391	133,895
Solid waste disposal tax	-	1,344	1,344	1,180
Total unrestricted intergovernmental revenues	343,925	361,827	17,902	379,971
Restricted Intergovernmental Revenues:				
Powell Bill allocation	60,600	60,987	387	60,693
Other	-	927	927	2,048
Total restricted intergovernmental revenues	60,600	61,914	1,314	62,741
Sales and Services:				
Cemetery plots	7,500	14,500	7,000	3,500
Cemetery - other income	9,500	10,675	1,175	-
Total sales and services	17,000	25,175	8,175	3,500
Investment Earnings				
	1,300	5,290	3,990	1,111

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Parking violation penalties	225	20	(205)	100
Building rent	28,700	30,000	1,300	41,500
Resource officer reimbursement	41,800	42,116	316	40,696
Cable franchise revenue	37,000	36,732	(268)	36,677
Recycling revenue	800	-	(800)	349
Land lease	-	-	-	376
Insurance reimbursement	-	1,251	1,251	12,177
Other	126,510	157,520	31,010	157,687
Total miscellaneous	<u>235,035</u>	<u>267,639</u>	<u>32,604</u>	<u>289,562</u>
Total revenues	<u>1,578,310</u>	<u>1,688,601</u>	<u>110,291</u>	<u>1,721,689</u>
Expenditures:				
General Government:				
Town Council	53,148	48,316	4,832	35,006
Administration	284,855	283,519	1,336	271,746
Utility service fee from Enterprise Fund	(140,000)	(140,000)	-	(150,000)
Contingency	38,724	-	38,724	-
Public buildings	22,300	24,174	(1,874)	15,462
Total general government	<u>259,027</u>	<u>216,009</u>	<u>43,018</u>	<u>172,214</u>
Public Safety:				
Police department	857,931	853,370	4,561	868,801
Fire department	59,000	59,000	-	59,000
Alexander County Rescue and EMS	3,000	3,000	-	3,000
Other	4,500	7,150	(2,650)	4,000
Total public safety	<u>924,431</u>	<u>922,520</u>	<u>1,911</u>	<u>934,801</u>
Street and Public Works:				
Streets and sanitation	<u>437,155</u>	<u>430,740</u>	<u>6,415</u>	<u>385,910</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Other Operations:				
Cemetery	16,899	11,700	5,199	11,955
Cultural and Recreational:				
Recreation	59,050	41,348	17,702	23,640
Total cultural and recreational	59,050	41,348	17,702	23,640
Capital Outlay:				
General government	1,050	-	1,050	1,523
Public buildings	10,000	7,530	2,470	2,095
Police	59,322	59,322	-	4,270
Street and public works	8,500	4,964	3,536	3,367
Recreation	2,000	935	1,065	26,722
Cemetery	44,076	44,076	-	114,677
Total capital outlay	124,948	116,827	8,121	152,654
Debt Service:				
Principal	60,000	-	60,000	-
Total debt service	60,000	-	60,000	-
Total expenditures	1,881,510	1,739,144	142,366	1,681,174
Revenues over (under) expenditures	(303,200)	(50,543)	252,657	40,515
Other Financing Sources (Uses):				
Long-term debt issued	60,000	60,000	-	-
Appropriated fund balance	243,200	-	(243,200)	-
Total other financing sources (uses)	303,200	60,000	(243,200)	-
Net change in fund balance	\$ -	9,457	\$ 9,457	40,515
Fund Balance:				
Beginning of year - July 1		712,224		671,709
End of year - June 30		\$ 721,681		\$ 712,224

TOWN OF TAYLORSVILLE, NORTH CAROLINA

MAJOR FUND
 URGENT CARE BUILDING RE-USE CDBG PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total to Date	Variance Over/Under
	Prior Year	Current Year			
Revenues:					
Restricted Intergovernmental Revenues:					
Community Development Grant	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
Total revenues	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Expenditures:					
Capital outlay	50,000	50,000	55,826	105,826	(55,826)
Maintenance and repairs	32,000	74,143	-	74,143	(42,143)
Administration and legal	2,500	20,759	2,307	23,066	(20,566)
Total expenditures	<u>84,500</u>	<u>144,902</u>	<u>58,133</u>	<u>203,035</u>	<u>(118,535)</u>
Revenues over (under) expenditures	<u>(34,500)</u>	<u>(144,902)</u>	<u>(8,133)</u>	<u>(153,035)</u>	<u>(118,535)</u>
Other Financing Sources (Uses):					
Town contribution	34,500	-	-	-	(34,500)
Total other financing sources (uses)	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (144,902)</u>	<u>\$ (8,133)</u>	<u>\$ (153,035)</u>	<u>\$ (153,035)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Building Re-Use Capital Project Fund	Total
	<u> </u>	<u> </u>
Liabilities and Fund Balances:		
Liabilities:		
Due to other funds	\$ 6,507	\$ 6,507
Total liabilities	<u>6,507</u>	<u>6,507</u>
Fund Balances:		
Unassigned	<u>(6,507)</u>	<u>(6,507)</u>
Total fund balances	<u>(6,507)</u>	<u>(6,507)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Building Re-Use Capital Project Fund	Total
	<u> </u>	<u> </u>
Revenues:		
Restricted intergovernmental	\$ -	\$ -
Expenditures:		
General government	-	-
Revenues over (under) expenditures	-	-
Net change in fund balances	-	-
Fund Balances:		
Beginning of year - July 1	<u>(6,507)</u>	<u>(6,507)</u>
End of year - June 30	<u>\$ (6,507)</u>	<u>\$ (6,507)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

BUILDING RE-USE CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
REDC Grant	\$ 24,450	\$ 18,843	\$ -	\$ 18,843	\$ (5,607)
Total revenues	<u>24,450</u>	<u>18,843</u>	<u>-</u>	<u>18,843</u>	<u>(5,607)</u>
Expenditures:					
Administration	900	900	-	900	-
Renovation and construction	<u>24,450</u>	<u>24,450</u>	<u>-</u>	<u>24,450</u>	<u>-</u>
Total expenditures	<u>25,350</u>	<u>25,350</u>	<u>-</u>	<u>25,350</u>	<u>-</u>
Revenues over (under) expenditures	<u>(900)</u>	<u>(6,507)</u>	<u>-</u>	<u>(6,507)</u>	<u>(5,607)</u>
Other Financing Sources (Uses):					
Transfer from General Fund	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900)</u>
Total other financing sources (uses)	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (6,507)</u>	<u>\$ -</u>	<u>\$ (6,507)</u>	<u>\$ (6,507)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services:				
Water and sewer	\$ 1,691,278	\$ 1,990,275	\$ 298,997	\$ 2,032,103
Capital reserve	125,000	138,777	13,777	136,186
Penalties and interest	22,500	25,753	3,253	25,315
Water and sewer taps	6,000	7,000	1,000	7,000
Reconnection fees	3,000	1,960	(1,040)	2,605
Impact and assessment fees	-	-	-	8,339
Energy United contribution	-	-	-	3,250
Other operating revenues	37,800	129,463	91,663	1,120
Total operating revenues	1,885,578	2,293,228	407,650	2,215,918
Non-Operating Revenues:				
Investment earnings	300	205	(95)	239
Total non-operating revenues	300	205	(95)	239
Total revenues	1,885,878	2,293,433	407,555	2,216,157
Expenditures:				
Operations	1,507,628	1,569,925	(62,297)	1,302,930
Utility service fee to General Fund	185,000	140,000	45,000	150,000
Debt service:				
Principal repayments	165,500	163,984	1,516	164,851
Interest expense	46,400	44,138	2,262	46,098
Capital outlay	121,950	86,414	35,536	76,907
Total expenditures	2,026,478	2,004,461	22,017	1,740,786
Revenues over (under) expenditures	(140,600)	288,972	429,572	475,371
Other Financing Sources (Uses):				
Appropriated fund balance	140,600	-	(140,600)	-
Total other financing sources (uses)	140,600	-	(140,600)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 288,972	\$ 288,972	\$ 475,371

TOWN OF TAYLORSVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015		2014
	Budget	Actual	Actual
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual:			
Revenues and other financing sources over			
(under) expenditures and other financing uses		\$ 288,972	\$ 475,371
Capital contributions from water/sewer capital projects		1,641,044	1,410,005
Expenditures not capitalized from water/sewer capital projects		(25,416)	-
Capital outlay		-	49,350
Principal repayments		163,984	164,851
Contributions made to pension plan in the current fiscal year		22,598	-
Pension expense		(1,869)	-
(Increase) decrease in accrued vacation		(2,514)	184
(Increase) decrease in OPEB liability		(9,715)	(9,801)
Depreciation and amortization		(425,704)	(361,884)
Change in net position		<u>\$ 1,651,380</u>	<u>\$ 1,728,076</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - MILLERSVILLE SANITARY SEWER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF Grant	\$ 842,500	\$ 161,353	\$ 1,226,861	\$ 1,388,214	\$ 545,714
Golden Leaf Grant	300,000	-	240,000	240,000	(60,000)
NC Clean Water Management Trust Grant	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Total revenues	<u>1,742,500</u>	<u>761,353</u>	<u>1,466,861</u>	<u>2,228,214</u>	<u>485,714</u>
Expenditures:					
Construction	2,490,000	612,941	1,502,869	2,115,810	374,190
Engineering	130,000	157,043	56,748	213,791	(83,791)
Administration and legal	<u>87,637</u>	<u>39,578</u>	<u>2,669</u>	<u>42,247</u>	<u>45,390</u>
Total expenditures	<u>2,707,637</u>	<u>809,562</u>	<u>1,562,286</u>	<u>2,371,848</u>	<u>335,789</u>
Revenues over (under) expenditures	<u>(965,137)</u>	<u>(48,209)</u>	<u>(95,425)</u>	<u>(143,634)</u>	<u>821,503</u>
Other Financing Sources (Uses):					
Long-term debt issued	842,500	-	-	-	(842,500)
Transfer from Water/Sewer Fund	<u>122,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,637)</u>
Total other financing sources (uses)	<u>965,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(965,137)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (48,209)</u>	<u>\$ (95,425)</u>	<u>\$ (143,634)</u>	<u>\$ (143,634)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - MILLSTEAD WOODS APARTMENT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
Community Development Grant	\$ 268,000	\$ 239,815	\$ -	\$ 239,815	\$ (28,185)
Total revenues	<u>268,000</u>	<u>239,815</u>	<u>-</u>	<u>239,815</u>	<u>(28,185)</u>
Expenditures:					
Construction	263,000	262,325	-	262,325	675
Engineering	7,000	20,516	-	20,516	(13,516)
Administration and legal	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
Total expenditures	<u>283,000</u>	<u>282,841</u>	<u>-</u>	<u>282,841</u>	<u>159</u>
Revenues over (under) expenditures	<u>(15,000)</u>	<u>(43,026)</u>	<u>-</u>	<u>(43,026)</u>	<u>(28,026)</u>
Other Financing Sources (Uses):					
Town contribution	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (43,026)</u>	<u>\$ -</u>	<u>\$ (43,026)</u>	<u>\$ (43,026)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - VARIOUS SEWER PROJECTS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water SRF Grant	\$ 344,791	\$ 344,674	\$ -	\$ 344,674	\$ (117)
Total revenues	<u>344,791</u>	<u>344,674</u>	<u>-</u>	<u>344,674</u>	<u>(117)</u>
Expenditures:					
Construction	597,703	622,063	-	622,063	(24,360)
Engineering	62,500	41,132	-	41,132	21,368
Administration and legal	21,790	777	-	777	21,013
Contingency	29,885	19,655	-	19,655	10,230
Total expenditures	<u>711,878</u>	<u>683,627</u>	<u>-</u>	<u>683,627</u>	<u>28,251</u>
Revenues over (under) expenditures	<u>(367,087)</u>	<u>(338,953)</u>	<u>-</u>	<u>(338,953)</u>	<u>28,134</u>
Other Financing Sources (Uses):					
Long-term debt issued	344,673	344,673	-	344,673	-
Transfer from Water/Sewer Fund	14,089	-	-	-	(14,089)
Town contribution	8,325	-	-	-	(8,325)
Total other financing sources (uses)	<u>367,087</u>	<u>344,673</u>	<u>-</u>	<u>344,673</u>	<u>(22,414)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,720</u>	<u>\$ -</u>	<u>\$ 5,720</u>	<u>\$ 5,720</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT -
 WATER SYSTEM RELIABILITY AND IMPROVEMENTS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted Intergovernmental Revenues:					
DWSRF principal-forgiveness loan	\$ 1,180,000	\$ 1,022,378	\$ 174,183	\$ 1,196,561	\$ 16,561
Total revenues	<u>1,180,000</u>	<u>1,022,378</u>	<u>174,183</u>	<u>1,196,561</u>	<u>16,561</u>
Expenditures:					
Mueller Systems (automated meters)	380,137	355,269	-	355,269	24,868
Locke-Lane Construction, Inc.	895,886	800,389	158,456	958,845	(62,959)
Engineering design, surveying, and construction administration	120,000	132,220	-	132,220	(12,220)
Loan and general administration	25,000	-	-	-	25,000
Loan closing fee	29,500	29,500	-	29,500	-
Contingency	24,477	-	-	-	24,477
Total expenditures	<u>1,475,000</u>	<u>1,317,378</u>	<u>158,456</u>	<u>1,475,834</u>	<u>(834)</u>
Revenues over (under) expenditures	<u>(295,000)</u>	<u>(295,000)</u>	<u>15,727</u>	<u>(279,273)</u>	<u>15,727</u>
Other Financing Sources (Uses):					
DWSRF zero-percent-interest loan	295,000	295,000	12,736	307,736	12,736
Total other financing sources (uses)	<u>295,000</u>	<u>295,000</u>	<u>12,736</u>	<u>307,736</u>	<u>12,736</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,463</u>	<u>\$ 28,463</u>	<u>\$ 28,463</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - BRUSHY MOUNTAIN GOLF COURSE SEWER PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Construction	\$ 50,000	\$ 48,760	\$ -	\$ 48,760	\$ 1,240
Engineering	5,000	3,486	-	3,486	1,514
Total expenditures	<u>55,000</u>	<u>52,246</u>	<u>-</u>	<u>52,246</u>	<u>2,754</u>
Revenues over (under) expenditures	<u>(55,000)</u>	<u>(52,246)</u>	<u>-</u>	<u>(52,246)</u>	<u>2,754</u>
Other Financing Sources (Uses):					
Town contribution	55,000	-	-	-	(55,000)
Total other financing sources (uses)	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (52,246)</u>	<u>\$ -</u>	<u>\$ (52,246)</u>	<u>\$ (52,246)</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 658,075	\$ 633,172	\$ 24,903
2013-2014	23,211	-	12,990	10,221
2012-2013	12,349	-	4,144	8,205
2011-2012	10,640	-	4,540	6,100
2010-2011	6,182	-	1,636	4,546
2009-2010	2,886	-	194	2,692
2008-2009	3,977	-	195	3,782
2007-2008	2,108	-	212	1,896
2006-2007	1,493	-	224	1,269
2005-2006	1,173	-	1,173	-
Total	<u>\$ 64,019</u>	<u>\$ 658,075</u>	<u>\$ 658,480</u>	63,614
Less: allowance for uncollectible accounts				<u>(35,000)</u>
Ad valorem taxes receivable, net				<u>\$ 28,614</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes:				
General Fund				\$ 666,216
Reconciling items:				
Penalties and interest				(5,142)
Miscellaneous adjustments				<u>(2,594)</u>
Total collections and credits				<u>\$ 658,480</u>

TOWN OF TAYLORSVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax	\$ 225,268,231	\$ 0.35	\$ 788,439	\$ 751,462	\$ 36,977
Utilities	8,828,964	0.35	30,901	30,901	-
Total original levy	<u>234,097,195</u>		<u>819,340</u>	<u>782,363</u>	<u>36,977</u>
Discoveries:					
Current year levy	<u>117,429</u>		<u>411</u>	<u>411</u>	<u>-</u>
Total discoveries	<u>117,429</u>		<u>411</u>	<u>411</u>	<u>-</u>
Abatements:					
Current year levy	170,857		598	598	-
Senior citizens exemption refund	<u>46,022,193</u>		<u>161,078</u>	<u>161,078</u>	<u>-</u>
Total abatements	<u>46,193,050</u>		<u>161,676</u>	<u>161,676</u>	<u>-</u>
Total property valuation	<u>\$ 188,021,574</u>				
Net Levy			658,075	621,098	36,977
Uncollected taxes at June 30, 2015			<u>24,903</u>	<u>24,903</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 633,172</u>	<u>\$ 596,195</u>	<u>\$ 36,977</u>
Current Levy Collection Percentage			<u>96.22%</u>	<u>95.99%</u>	<u>100.00%</u>

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"A Professional Association of Certified Public Accountants and Management Consultants"

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
Members of the Town Council
Town of Taylorsville
Taylorsville, 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, each major fund, and the aggregate remaining fund information of the Town of Taylorsville, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Taylorsville's basic financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Taylorsville'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 Taylorsville'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 a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings, Responses and Questioned Costs, 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005, that we consider to be material weaknesses.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Taylorsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2015-003 and 2015-004.

Town of Taylorsville's Responses to Findings

The Town of Taylorsville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 6, 2015

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited the Town of Taylorsville, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Taylorsville's major federal programs for the year ended June 30, 2015. The Town of Taylorsville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Taylorsville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Taylorsville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major Federal Program

In our opinion, the Town of Taylorsville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

Management of the Town of Taylorsville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Taylorsville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 6, 2015

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Section 510(a) of Circular A-133?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Capitalization Grants for Clean Water State Revolving Fund Cluster	66.458
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2015-001:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by Town personnel.

Context: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Effect: Errors could occur in financial reporting.

Cause: There are limited Town resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Name of Contact Person: David Odom

Management Response/Corrective Action: The Town will exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments during the audit.

Effect: Errors could occur in financial reporting.

Cause: There are limited Town resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the units available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

Name of Contact Person: David Odom

Management Response/Corrective Action: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-003

Criteria: Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there were several violations of the General Statutes regarding expenditures exceeding appropriations and funds operating in a deficit.

Context: While reviewing financial statements and budget reports, we noted the condition described above.

Effect: The Town was in violation of North Carolina General Statutes.

Cause: Lack of monitoring over budgetary compliance.

Recommendation: Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit.

Name of Contact Person: David Odom

Management Response/Corrective Action: Management concurs with the recommendation. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-004

Criteria: Management should have a control system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, we noted a violation of the General Statutes regarding pre-audit procedures. If pre-audit procedures were completed, other statute violations noted for one particular purchase would have been recognized and likely not have occurred.

Context: While performing documentation and testing of major systems of internal controls, we noted the condition described above.

Effect: The Town was in violation of North Carolina General Statutes (G.S. 159-28). The statute requires the pre-audit of expenditures.

Cause: The Town's Finance Department does not have adequate safeguards in place to ensure proper budgetary compliance.

Recommendation: We recommend that the Town pre-audit the expenditures for proper budgetary compliance before expending the Town's funds.

Name of Contact Person: David Odom

Management Response/Corrective Action: Management concurs with the recommendation. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2015-005

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A prior period adjustment is required to correct material errors that occurred in periods prior to the current fiscal year under audit. The necessity of a prior period adjustment indicates that the Town's system of controls did not detect and prevent a material error in financial reporting.

Context: Capital assets for governmental activities were materially understated for the year ended June 30, 2014. Beginning net position was restated (increased) to correct the error.

Effect: Errors in financial reporting occurred in governmental activities.

Cause: Failure to properly recognize construction in progress per the general ledger to the underlying detail.

Recommendation: Care should be taken to ensure that assets are properly recognized and classified on the general ledger.

Contact Person: David Odom

Management's Response: Management concurs with the finding. Management will ensure that assets are properly recognized and classified in the next fiscal year.

TOWN OF TAYLORSVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

3. Findings and Responses Related to the Audit of Federal Awards

None

TOWN OF TAYLORSVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Finding: 2014-001

Status: Modified and repeated as finding 2015-001.

Finding: 2014-002

Status: Modified and repeated as finding 2015-002.

Finding: 2014-003

Status: Modified and repeated as finding 2015-003.

Finding: 2014-004

Status: Modified and repeated as finding 2015-004.

TOWN OF TAYLORSVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	Federal CFDA Number	Federal Expenditures	State Expenditures
Federal Programs:			
U.S. Environmental Protection Agency:			
Passed-Through N.C. Department of Environment and Natural Resources:			
Capitalization Grants for Clean Water State Revolving Fund Cluster	66.458	\$ 1,226,861	\$ -
Capitalization Grants for Drinking Water State Revolving Fund Cluster	66.468	174,183	-
Total U.S. Environmental Protection Agency		1,401,044	-
 Total Federal expenditures		1,401,044	-
 State Programs:			
N.C. Department of Commerce			
Rural Health Care Building Reuse Grant	N/A	-	50,000
 N.C. Department of Transportation:			
Powell Bill	N/A	-	58,320
 Golden Leaf Foundation			
Special Incentives - Sewer & Water Systems	N/A	-	240,000
Total Federal expenditures		\$ 1,401,044	
Total State expenditures			\$ 348,320

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town of Taylorsville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

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