

**TOWN OF BURNSVILLE
NORTH CAROLINA**

Financial Statements

June 30, 2015

(with Independent Auditor's Report thereon)

YOUNG, MILLER & GILLESPIE, P.A.
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TOWN OF BURNSVILLE, NORTH CAROLINA
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Burnsville, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Burnsville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Burnsville ABC Board were not audited in accordance with Governmental Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Burnsville, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 8 through 17, 53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of Town of Burnsville's internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Burnsville's internal control over financial reporting and compliance.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
November 6, 2015

TOWN OF BURNSVILLE, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2015

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

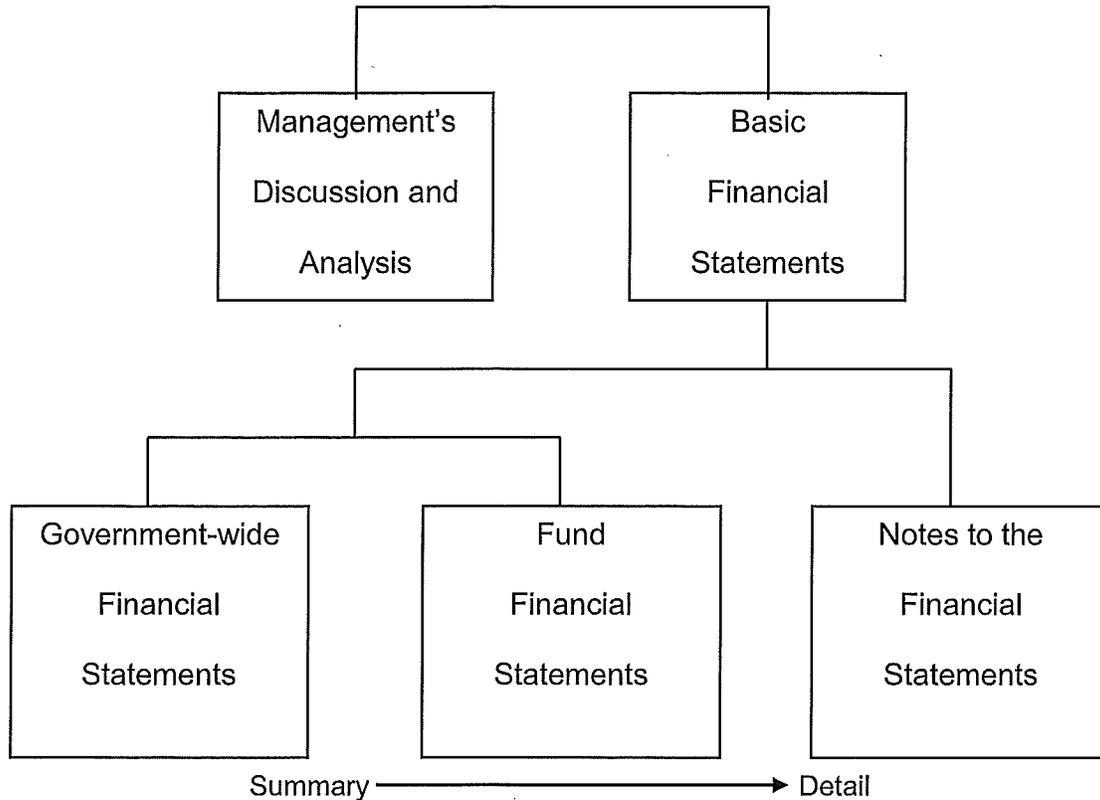
- The assets of the Town of Burnsville exceeded its liabilities at the close of the fiscal year by \$12,306,194.
- The government's total net position increased by \$98,052.
- As of the close of the current fiscal year, The Town of Burnsville's governmental funds reported combined ending fund balances of \$1,036,303 a decrease of \$131,615 in comparison with the prior year. Approximately 73 percent of this total amount or \$751,918 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$751,918 or 37 percent of total general fund expenditures for the fiscal year.
- The Town of Burnsville's total general fund debt generated by installment obligations decreased by \$55,848 during the current fiscal year.

Overview of the Basic Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are the **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.

Management's Discussion and Analysis (continued)

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 it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Burnsville, 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 Burnsville 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 be readily 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Burnsville 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

Management's Discussion and Analysis (continued)

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

Proprietary Funds – The Town of Burnsville has one 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 Burnsville uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-52 of this report.

Other Information

Combining and individual fund statements and schedules are also included in this report.

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis

Town of Burnsville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,104,994	\$ 1,336,391	\$ 1,718,174	\$ 1,698,322	\$ 2,823,168	\$ 3,034,713
Capital assets and noncurrent assets	2,841,877	2,506,662	9,182,810	9,213,395	12,024,687	11,720,057
Total assets	3,946,871	3,843,053	10,900,984	10,911,717	14,847,855	14,754,770
Deferred Outflows of Resources	48,918	-	41,415	-	90,333	-
Long-term liabilities outstanding	757,548	815,286	1,163,234	1,426,688	1,920,782	2,241,974
Other liabilities	128,698	83,484	260,545	194,873	389,243	278,357
Total liabilities	886,246	898,770	1,423,779	1,621,561	2,310,025	2,520,331
Deferred Inflows of Resources	173,863	14,862	148,105	-	321,968	14,862
Net position:						
Net investment in capital assets	2,386,325	2,066,598	8,446,975	8,497,622	10,833,300	10,564,220
Restricted	284,385	282,440	796,332	655,959	1,080,717	938,399
Unrestricted	264,969	580,383	127,208	136,575	392,177	716,958
Total net position	\$ 2,935,679	\$ 2,929,421	\$ 9,370,515	\$ 9,290,156	\$ 12,306,194	\$ 12,219,577

As noted earlier, net position may serve over time as one useful indication of an agency's financial condition. The assets of The Town of Burnsville exceeded liabilities by \$12,306,194 as of June 30, 2015. The Town's net position increased by \$86,617 for the fiscal year ended June 30, 2015. However, the largest portion (88%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Burnsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Burnsville's 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. The remaining balance of \$392,177 is unrestricted. Also, The Town of Burnsville 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 pension 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 \$169,988. Decisions regarding the allocation are made by the administrators of the pension plan, not by the Town of Burnsville's management.

Management's Discussion and Analysis (continued)

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

- Increased user fees effective July 1, 2014 for water and sewer customers generated additional revenue
- The Town was able to adequately monitor and control expenditures

Town of Burnsville's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 72,577	\$ 74,538	\$ 2,149,386	\$ 2,213,623	\$ 2,221,963	\$ 2,288,161
Operating grants and contribution	215,987	311,916	-	-	215,987	311,916
Capital grants and contributions	10,659	20,024	-	1,119,497	10,659	1,139,521
General Revenues:						
Property taxes	871,857	895,034	-	-	871,857	895,034
Other Taxes	607,486	564,471	-	-	607,486	564,471
Investment earnings	17,142	18,294	10,338	7,415	27,480	25,709
Other	19,551	10,656	-	-	19,551	10,656
Total revenues	1,815,259	1,894,933	2,159,724	3,340,535	3,974,983	5,235,468
Expenses:						
General government	364,013	444,034	-	-	364,013	444,034
Public safety	808,833	823,274	-	-	808,833	823,274
Public works	265,679	258,695	-	-	265,679	258,695
Town Centre Operations	118,588	84,843	-	-	118,588	84,843
Cultural and recreation	34,456	20,682	-	-	34,456	20,682
Environmental protection	90,637	141,877	-	-	90,637	141,877
Economic development	15,510	10,510	-	-	15,510	10,510
Interest expense	19,491	16,806	-	-	19,491	16,806
Water and sewer	-	-	2,001,171	1,830,282	2,001,171	1,830,282
Total expenses	1,717,207	1,800,721	2,001,171	1,830,282	3,718,378	3,631,003
Increase in net position	98,052	94,212	158,553	1,510,253	256,605	1,604,465
Net Position:						
Net position, July 1	2,929,421	2,835,209	9,290,156	7,779,903	12,219,577	7,255,422
Restatement	(91,794)	-	(78,194)	-	(169,988)	-
Net position, July 1, as restated	2,837,627	2,835,209	9,211,962		12,049,589	7,255,422
Net position, June 30	\$ 2,935,679	\$ 2,929,421	\$ 9,370,515	\$ 9,290,156	\$ 12,306,194	\$ 8,859,887

Management's Discussion and Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$98,052. Key elements of this increase are as follows:

- Increases in sales tax revenues and grant proceeds

Business-Type Activities: Business-type activities increased the Town of Burnsville's net position by \$158,553. Key elements of this increase are as follows:

- Increase in the revenues generated by water and sewer operations.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Burnsville'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 Burnsville's financing requirements. Specifically, unreserved 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 Burnsville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$751,918 while total fund balance reached \$1,036,303. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37 percent of total General Fund expenditures and transfers (compared to 53% in 2014) while total fund balance represents 51 percent of that same amount (compared to 65% in 2014).

At June 30, 2015, the governmental funds of The Town of Burnsville reported a combined fund balance of \$1,036,303, a decrease over last year. Partially responsible for this change in fund balance is an increase in capital outlay expenses, including the purchase of land for the public safety function.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Burnsville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$9,370,515. The change in net position was \$80,359. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Burnsville's business-type activities.

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital assets. The Town of Burnsville's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$10,833,300 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, vehicles, and water and sewer systems. Unamortized bond proceeds are also included in this category.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Vehicles purchased for public safety
- Land purchase for new fire department building

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 446,131	\$ 143,368	\$ 28,009	\$ 28,009	\$ 474,140	\$ 171,377
Bond issue	-	-	7,651	9,869	\$ 7,651	\$ 9,869
Construction in progress	-	-	121,553	42,943	121,553	42,943
Infrastructure	495,963	461,417	-	-	495,963	461,417
Buildings	1,633,983	1,679,140	-	-	1,633,983	1,679,140
Plant and systems	-	-	8,722,722	8,905,111	8,722,722	8,905,111
Equipment and furniture	91,462	91,112	154,120	138,921	245,582	230,033
Vehicles	103,002	131,625	87,988	88,542	190,990	220,167
Total	<u>\$ 2,770,541</u>	<u>\$ 2,506,662</u>	<u>\$ 9,122,043</u>	<u>\$ 9,213,395</u>	<u>\$ 11,892,584</u>	<u>\$ 11,720,057</u>

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

Long-Term Debt. As of June 30, 2015, The Town of Burnsville had total debt and liabilities outstanding of \$2,193,404 backed by the full faith and credit of the Town.

Management's Discussion and Analysis (continued)

**Town of Burnsville's Outstanding Debt
General Obligation Bonds and Other Long-Term Liabilities**

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Compensated Absences	\$ 61,713	\$ 57,543	\$ 32,531	\$ 45,727	\$ 94,244	\$ 103,270
Other post employment benefits	421,710	375,222	230,817	205,784	652,527	581,006
Installment purchases	384,216	440,064	667,417	705,904	1,051,633	1,145,968
General obligation bonds	-	-	395,000	515,000	395,000	515,000
Total	\$ 867,639	\$872,829	\$ 1,325,765	\$1,472,415	\$2,193,404	\$ 2,345,244

The Town of Burnsville's total long-term debt decreased by \$214,335 during the past fiscal year, primarily due to scheduled payments on debt; the Town's total compensated absences and other post-employment benefits liabilities increased by \$62,495 for a combined debt decrease of \$151,840.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Burnsville's long-term debt is \$ 12,433,641.

Additional information regarding the Town of Burnsville's long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town.

- Continued aggressive collection measures by staff will keep revenues stable.
- Administration will continue to recommend utility rate increases to ensure financial stability and infrastructure needs.
- The Town Council will consistently review the voluntary annexation petitions and consider administrative recommendations concerning the financial advantages/disadvantages of each petition in relation to the Town's overall well-being.

Management's Discussion and Analysis (continued)

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Budgeted revenues and expenditures in the General Fund are expected to remain consistent with prior years, with the exception of a loss of revenue from privilege licenses, which are no longer required in the Town.

Business-Type Activities: General operating expenses are expected remain consistent.

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 Director of Finance, Town of Burnsville, P.O. Box 97, Burnsville, NC 28714.

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Primary Government			Town of Burnsville ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 870,778	\$ 1,307,924	\$ 2,178,702	\$ 16,355
Taxes receivable (net)	50,083	-	50,083	-
Accounts receivable (net)	-	255,208	255,208	-
Due from other governments	102,840	19,253	122,093	-
Inventory	-	70,170	70,170	103,545
Restricted cash and equivalents	81,292	65,619	146,911	-
Total current assets	<u>1,104,993</u>	<u>1,718,174</u>	<u>2,823,167</u>	<u>119,900</u>
Non-current Assets:				
Net pension asset	71,336	60,767	132,103	-
Capital Assets:				
Land, nondepreciable improvements, and construction in progress	446,131	35,660	481,791	-
Other capital assets, net of depreciation	2,324,410	9,086,383	11,410,793	71,383
Total capital assets	<u>2,770,541</u>	<u>9,122,043</u>	<u>11,892,584</u>	<u>71,383</u>
Total non-current assets:	<u>2,841,877</u>	<u>9,182,810</u>	<u>12,024,687</u>	<u>-</u>
Total assets	<u>3,946,870</u>	<u>10,900,984</u>	<u>14,847,854</u>	<u>191,283</u>
Deferred Outflows of Resources	48,918	41,415	90,333	
Liabilities:				
Current Liabilities:				
Accounts payable	18,607	32,395	51,002	28,864
Unearned revenue	-	65,619	65,619	-
Compensated absences - current	61,713	32,531	94,244	-
Total current liabilities	<u>80,320</u>	<u>130,545</u>	<u>210,865</u>	<u>28,864</u>
Long-Term Liabilities:				
Due within one year	48,378	130,000	178,378	52,488
Due in more than one year	757,548	1,163,234	1,920,782	77,512
Total long-term liabilities	<u>805,926</u>	<u>1,293,234</u>	<u>2,099,160</u>	<u>130,000</u>
Total Liabilities	<u>886,246</u>	<u>1,423,779</u>	<u>2,310,025</u>	<u>158,864</u>
Deferred Inflows of Resources:	<u>173,863</u>	<u>148,105</u>	<u>321,968</u>	<u>-</u>
Net Position:				
Net investment in capital assets	2,386,325	8,446,975	10,833,300	15,307
Restricted for Streets - Powell Bill	81,292	-	81,292	-
Restricted for Stabilization by State Statute	102,840	-	102,840	-
Restricted for Public Safety - Fire Tax	100,253	-	100,253	-
Restricted for Capacity Depletion Impact Fees	-	796,332	796,332	-
Unrestricted	264,969	127,208	392,177	17,112
Total net position	<u>\$ 2,935,679</u>	<u>\$ 9,370,515</u>	<u>\$ 12,306,194</u>	<u>\$ 32,419</u>

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

TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Town of Burnsville ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 364,013	\$ -	\$ -	\$ -	\$ (364,013)	\$ -	\$ (364,013)	\$ -	
Public Safety	808,833	15,199	161,251	10,659	(621,724)	-	(621,724)	-	
Public Works	265,679	-	53,644	-	(212,035)	-	(212,035)	-	
Environmental protection	90,637	-	1,092	-	(89,545)	-	(89,545)	-	
Cultural and recreational	34,456	-	-	-	(34,456)	-	(34,456)	-	
Town Centre	118,588	57,378	-	-	(61,210)	-	(61,210)	-	
Economic development	15,510	-	-	-	(15,510)	-	(15,510)	-	
Interest on long-term debt	19,491	-	-	-	(19,491)	-	(19,491)	-	
Total governmental activities	<u>1,717,207</u>	<u>72,577</u>	<u>215,987</u>	<u>10,659</u>	<u>(1,417,984)</u>	-	<u>(1,417,984)</u>	-	
Business-Type Activities									
Water and Sewer	2,001,171	2,149,386	-	-	-	148,215	148,215	148,215	-
Total business-type activities	<u>2,001,171</u>	<u>2,149,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,215</u>	<u>148,215</u>	<u>148,215</u>	<u>-</u>
Total primary government	<u>\$ 3,718,378</u>	<u>\$ 2,221,963</u>	<u>\$ 215,987</u>	<u>\$ 10,659</u>	<u>(1,417,984)</u>	<u>148,215</u>	<u>(1,269,769)</u>	<u>-</u>	
Component Unit:									
Town of Burnsville	\$ 976,513	\$ 1,019,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	42,966
ABC Board	\$ 976,513	\$ 1,019,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	42,966
Total Component unit									
General Revenues:									
Taxes:									
Ad valorem					871,857		871,857		
Local general sales tax					394,127		394,127		
Utility and cable franchise tax					186,424		186,424		
Other taxes and licenses					26,935		26,935		
Unrestricted investment earnings					17,142	10,338	27,480		
Miscellaneous revenues					19,551		19,551		
Total general revenues and transfers					<u>1,516,036</u>	<u>10,338</u>	<u>1,526,374</u>		
Change in net position					98,052	158,553	256,605		42,966
Net Position:									
Beginning of year, July 1					2,929,421	9,290,156	10,250,778		(10,547)
Restatement					(91,794)	(78,194)	(169,988)		-
Beginning of year, July 1, as restated					<u>2,837,627</u>	<u>9,211,962</u>	<u>10,080,790</u>		<u>(10,547)</u>
End of year, June 30					<u>\$ 2,935,679</u>	<u>\$ 9,370,515</u>	<u>\$ 12,306,194</u>		<u>\$ 32,419</u>

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

**TOWN OF BURNSVILLE, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Cash and cash equivalents	\$ 870,778	\$ 870,778
Restricted cash	81,292	81,292
Taxes receivable, net	47,976	47,976
Due from other governments	102,840	102,840
Total assets	<u>\$ 1,102,886</u>	<u>\$ 1,102,886</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 18,607	\$ 18,607
Total liabilities	<u>18,607</u>	<u>18,607</u>
Deferred Inflows of Resources:		
	<u>47,976</u>	<u>47,976</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	102,840	102,840
Streets - Powell Bill	81,292	81,292
Public Safety - Fire Tax	100,253	100,253
Unassigned:	<u>751,918</u>	<u>751,918</u>
Total fund balances	<u>1,036,303</u>	<u>1,036,303</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,102,886</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,770,541
Net pension assets	71,336
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	48,918
Other long term assets, including interest receivable on taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.	50,083
Long-term liabilities and compensated absences are not due and payable in the current period and are also not reported in the funds.	(867,639)
Pension related deferrals	(173,863)
Net position of governmental activities	<u>\$ 2,935,679</u>

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

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

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Ad valorem taxes	\$ 951,488	\$ 951,488
Other taxes and licenses	17,646	17,646
Unrestricted intergovernmental	590,932	590,932
Restricted governmental	225,554	225,554
Permits and fees	72,577	72,577
Investment earnings	15,035	15,035
Miscellaneous	19,551	19,551
Total revenues	<u>1,892,783</u>	<u>1,892,783</u>
Expenditures:		
Current:		
General government	340,033	340,033
Public safety	1,085,468	1,085,468
Public works	294,566	294,566
Environmental protection	90,637	90,637
Cultural and recreational	34,456	34,456
Town Centre	88,389	88,389
Economic development	15,510	15,510
Debt Service:		
Principal	55,848	55,848
Interest and other charges	19,491	19,491
Total expenditures	<u>2,024,398</u>	<u>2,024,398</u>
Revenues over (under) expenditures	<u>(131,615)</u>	<u>(131,615)</u>
Fund Balances:		
Beginning of year, July 1	<u>1,167,918</u>	<u>1,167,918</u>
End of year, June 30	<u>\$ 1,036,303</u>	<u>\$ 1,036,303</u>

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

**TOWN OF BURNSVILLE, 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 are different because:

Net changes in fund balances - total governmental funds	\$ (131,615)
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.	448,203
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	43,773
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(79,631)
Interest receivable on uncollected tax revenues	2,107
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(184,324)
Expenses related to compensated absences, other post employment benefits and law enforcement officers separation allowance and pension expense that do not require current financial resources are not reported expenditures in the governmental funds statement.	(50,659)
Pension expense	(5,650)
Advance refunding of bonds and principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not reported.	55,848
Total changes in net position of governmental activities.	<u>\$ 98,052</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 984,970	\$ 984,970	\$ 951,488	\$ 33,482
Other taxes and licenses	18,000	18,000	17,646	354
Unrestricted intergovernmental	453,000	454,250	590,932	(136,682)
Restricted intergovernmental	216,140	227,140	225,554	1,586
Permits and fees	46,500	60,850	72,577	(11,727)
Investment earnings	8,250	8,250	15,035	(6,785)
Miscellaneous	122,100	15,500	19,551	(4,051)
Total revenues	<u>1,848,960</u>	<u>1,768,960</u>	<u>1,892,783</u>	<u>(123,823)</u>
Expenditures:				
Current:				
General government	383,711	363,626	340,033	23,593
Public safety	886,381	1,146,706	1,085,468	61,238
Public works	452,906	363,406	294,566	68,840
Environmental protection	-	89,500	90,637	(1,137)
Cultural and recreational	55,300	39,790	34,456	5,334
Town Centre	100,662	105,662	88,389	17,273
Economic Development	-	15,510	15,510	-
Debt Service:				
Principal retirement	-	55,085	55,848	(763)
Interest and other charges	-	18,675	19,491	(816)
Total expenditures	<u>1,878,960</u>	<u>2,197,960</u>	<u>2,024,398</u>	<u>173,562</u>
Revenues over (under) expenditures	(30,000)	(429,000)	(131,615)	(297,385)
Other Financing Sources (Uses):				
Loan proceeds received	30,000	30,000	-	30,000
Appropriations	-	399,000	-	399,000
Total other financing sources (uses)	<u>30,000</u>	<u>429,000</u>	<u>-</u>	<u>429,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(131,615)	<u>\$ 131,615</u>
Fund Balance:				
Beginning of year, July 1			1,167,918	
End of year, June 30			<u>\$ 1,036,303</u>	

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

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	2015
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 1,373,543
Accounts receivable (net)	255,208
Due from other governments	19,253
Inventory	70,170
Total current assets	<u>1,718,174</u>
Noncurrent Assets:	
Net pension assets	60,767
Non-depreciable assets	28,009
Bond issue cost, net of amortization	7,651
Other capital assets, net of depreciation	9,086,383
Total noncurrent assets	<u>9,182,810</u>
Total assets	<u><u>10,900,984</u></u>
Deferred Outflows of Resources	
Contributions to pension plan	\$ 41,415
Liabilities:	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 28,655
Utility Customer deposits	65,619
Compensated absences	32,531
Accrued interest payable	3,740
General obligation bonds -current	130,000
Total current liabilities	<u>260,545</u>
Noncurrent Liabilities:	
Other post employment health care benefits	230,817
General obligation bonds - noncurrent	265,000
Clean water revolving loan fund	667,417
Total noncurrent liabilities	<u>1,163,234</u>
Total liabilities	<u>1,423,779</u>
Deferred Inflows of Resources	
Pension deferrals	148,105
Net Position:	
Net investment in capital assets	8,446,975
Restricted for Capacity Depletion Impact fees	796,332
Unrestricted	127,208
Total net position	<u><u>\$ 9,370,515</u></u>

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

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
Operating Revenues:	
Charges for services	\$ 1,904,811
Water and sewer connection fees	19,850
Late and reconnect fees	69,692
Capacity Depletion Impact fees	140,374
Fire Protection line	10,230
Other operating revenues	4,429
Total operating revenues	<u>2,149,386</u>
Operating Expenses:	
Water and sewer treatment and distribution	1,659,577
Depreciation and amortization	293,375
Total operating expenses	<u>1,952,952</u>
Operating income (loss)	<u>196,434</u>
Nonoperating Revenues (Expenses):	
Interest and other charges	(37,881)
Total nonoperating revenues (expenses) before transfers	<u>(37,881)</u>
Change in net position	<u>158,553</u>
Net Position:	
Beginning of year, July 1	9,290,156
Restatement	(78,194)
Beginning of year, July 1, as restated	<u>9,211,962</u>
End of year, June 30	<u>\$ 9,370,515</u>

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

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	2015
Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,415,465
Cash paid for goods and services	(848,040)
Cash paid to or on behalf of employees for services	(846,569)
Other operating revenues	4,429
Net cash provided (used) by operating activities	<u>725,285</u>
Cash Flows From Capital and Related Financing Activities:	
(Acquisition) disposal and construction of capital assets	(202,022)
Repayments on long term debt	(206,706)
Net cash provided (used) by capital and related financing activities	<u>(408,728)</u>
Cash Flows From Investing Activities:	
Interest income	<u>10,338</u>
Net increase in cash and cash equivalents	326,895
Cash and cash equivalents, July 1	1,046,648
Cash and cash equivalents, June 30	<u>\$ 1,373,543</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 196,434
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	293,375
Pension expense	4,878
Changes in assets and liabilities and deferred outflows of resources:	
(Increase) decrease in accounts receivable	274,461
Increase (decrease) in accounts payable and accrued liabilities	(57,517)
Increase (decrease) in customer deposits	6,385
(Increase) decrease in deferred outflows of resources for pensions	(4,568)
Increase (decrease) in accrued vacation pay	(13,196)
Increase in accrued OPEB liability	25,033
Total adjustments	<u>528,851</u>
Net cash provided by operating activities	<u>\$ 725,285</u>

Supplemental information: Interest paid during the year was \$48,219.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

The Town of Burnsville is a municipal corporation, which is governed by an elected mayor and a four-member council. As required by the generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

The Burnsville ABC Board is a corporate body with powers outlined by General Statutes [Chapter 18B-701.] The Town's governing body appoints members to the Burnsville ABC Board. The Burnsville ABC Board is required by State Statute to distribute its surpluses to the general fund of the Town, which represents a financial benefit to the Town. Therefore, the Burnsville ABC Board is reported as a discretely presented component unit in the Town's financial statements. Complete financial statements for the Burnsville ABC Board may be obtained by writing to P.O. Box 1127, Burnsville, NC 28714.

Basis of Presentation - Fund Accounting:

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 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

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

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. Any other funds would be reported as non-major funds, but the Town has no other funds at this time.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

Agency Funds: Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency funds: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Yancey Board of Education.

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

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

(or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 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 Burnsville because the tax is levied by Yancey County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

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 Enterprise Fund Capital Project Fund. 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 Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several immaterial adjustments 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 the interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are collateralized 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 the principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contract are reported at amortized cost.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

2. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

<u>Town of Burnsville Restricted Cash</u>	
Governmental Activities: Streets	\$ 81,292
Business type activities: Water and Sewer Fund	
Customer Deposits	\$ 65,619
Total restricted cash	\$ 146,911

3. 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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

4. 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.

5. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$20,000 for street and side-walk infrastructure and more than \$5,000 for all other assets (amounts not rounded) and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-25
Buildings	50
Equipment and Machinery	5-20
Vehicles	10

7. Deferred outflows/inflows of resources

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

8. Long-Term Obligations

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

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of 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 liability for compensated absences and salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated

TOWN OF BURNSVILLE, NORTH CAROLINA
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compensated time. The portion of that time 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.

10. Net Position / Fund Balances

Net position in the government-wide and proprietary fund financial statements are 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, or the laws or regulations of other governments, or imposed by law through State statute.

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

The governmental fund types classify fund balances as follows:

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

- Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

- Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute {G.S. 159-8(a)}.
- Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
- Restricted for Public Safety - portion of fund balance available for appropriation but legally segregated for fire department expenditures. It represents the balance of the total unexpended fire tax receipts from

TOWN OF BURNSVILLE, NORTH CAROLINA
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Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of the governing body. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance of the Town intended to be used for specific purposes.

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

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

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

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government 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 Burnsville's employer contributions are recognized when due and the Town of Burnsville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TOWN OF BURNSVILLE, NORTH CAROLINA
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NOTE 2: DETAIL NOTES ON ALL FUNDS

A. *Assets*

1. Deposits

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

At June 30, 2015, the Town's deposits had a carrying amount of \$2,324,863 and a bank balance of \$2,421,755. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town maintains a petty cash fund of \$750.

At June 30, 2015, the ABC Board's deposits had a carrying amount of \$15,135 and a bank balance of \$38,465. All of the bank balance was covered by federal depository insurance.

3. Receivables

Receivables at the government-wide level at June 30, 2015, were as follows:

TOWN OF BURNSVILLE, NORTH CAROLINA
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	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 45,236	\$ 102,840	\$ 148,076
Allowance for doubtful accounts	-	(4,847)	-	(4,847)
Total governmental activities	<u>\$ -</u>	<u>\$ 40,389</u>	<u>\$ 102,840</u>	<u>\$ 143,229</u>
Business-Type Activities				
Water fund	\$ 292,986	\$ -	\$ 19,253	\$ 312,239
Allowance for doubtful accounts	(37,778)	-	-	(37,778)
Total business-type activities	<u>\$ 255,208</u>	<u>\$ -</u>	<u>\$ 19,253</u>	<u>\$ 274,461</u>
		<u>Governmental</u>	<u>Business-Type</u>	
Local option sales tax		\$ 68,405	\$ -	
Sales tax		5,153	22,270	
Fire tax		5,699	-	
Motor vehicle tax		23,583	-	
		<u>\$ 102,840</u>	<u>\$ 22,270</u>	

4. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2015 was as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 143,368	\$ 302,763	\$ -	\$ 446,131
Total capital assets not being depreciated	<u>143,368</u>	<u>302,763</u>	<u>-</u>	<u>446,131</u>
Capital assets being depreciated:				
Infrastructure	988,436	95,930	-	1,084,366
Buildings	2,257,995	-	-	2,257,995
Equipment and furniture	614,628	18,063	-	632,691
Vehicles	1,162,217	31,447	-	1,193,664
Total capital assets being depreciated	<u>5,023,276</u>	<u>145,440</u>	<u>-</u>	<u>5,168,716</u>
Less accumulated depreciation for:				
Infrastructure	527,020	61,384	-	588,404
Buildings	578,854	45,157	-	624,011
Equipment and furniture	472,575	17,714	-	490,289
Vehicles	1,081,533	60,069	-	1,141,602
Total accumulated depreciation	<u>2,659,982</u>	<u>\$ 184,324</u>	<u>\$ -</u>	<u>2,844,306</u>
Total capital assets being depreciated, net	<u>2,363,294</u>			<u>2,324,410</u>
Governmental activity capital assets, net	<u>\$ 2,506,662</u>			<u>\$ 2,770,541</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
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Depreciation was charged to governmental functions as follows:

General Government	\$ 21,818
Public Safety	67,756
Public Works	65,512
Cultural and Recreational	<u>29,238</u>
	\$184,324

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Business-Type Activities:				
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 28,009	\$ -	\$ -	\$ 28,009
Construction in progress	42,943	78,610	-	121,553
Bond issue cost, net of amortization	9,869	-	2,217	7,652
Total capital assets not being depreciated	<u>80,821</u>	<u>78,610</u>	<u>2,217</u>	<u>157,214</u>
Capital Assets Being Depreciated:				
Plant	11,787,946	62,207	-	11,850,153
Equipment	228,662	38,522	-	267,184
Vehicles	191,662	22,684	-	214,346
Total capital assets being depreciated	<u>12,208,270</u>	<u>123,413</u>	<u>-</u>	<u>12,331,683</u>
Less Accumulated depreciation for:				
Plant	2,882,837	244,596	-	3,127,433
Equipment	89,739	23,326	-	113,065
Vehicles	103,120	23,236	-	126,356
Total accumulated depreciation	<u>3,075,696</u>	<u>\$ 291,158</u>	<u>\$ -</u>	<u>3,366,854</u>
Water capital assets, net				<u>\$ 9,220,043</u>
Business-type capital assets, net	<u>\$ 9,213,395</u>			<u>\$ 9,213,395</u>

Capital asset activity for the component unit is as follows:

	Useful Life	Cost	Depreciation	Net Amount
Equipment	5-10 yrs.	\$ 76,358	\$ 46,969	\$ 29,389
Leasehold Improvements	7-39 yrs.	<u>51,282</u>	<u>9,288</u>	<u>41,994</u>
Total		<u>\$ 127,640</u>	<u>\$ 56,257</u>	<u>\$ 71,383</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
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B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2015, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 8,407</u>	<u>\$ 10,200</u>	<u>\$ 18,607</u>
Total governmental activities	<u>\$ 8,407</u>	<u>\$ 10,200</u>	<u>\$ 18,607</u>
 Business-Type Activities:			
Water	<u>\$ 20,865</u>	<u>\$ 11,530</u>	<u>\$32,395</u>
Total business-type activities	<u>\$ 20,865</u>	<u>\$ 11,530</u>	<u>\$32,395</u>

2. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description The Town of Burnsville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and law enforcement officers (LEOs) of participating local government 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, and 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, or by calling (919) 981-5454.

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 services. 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

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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 year 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 member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon the 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 at age 50 with 15 years 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 or service and who also have completed either 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 if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Burnsville 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 Burnsville's contractually required contribution rate for the year ended June 30, 2015 was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan for the Town of Burnsville were \$81,062 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 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 employee contributions or any other benefit provided by LGERS.

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 \$132,103 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

TOWN OF BURNSVILLE, NORTH CAROLINA
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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 of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was .000224, which was a decrease of .000016% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$10,605. 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	Deferred Inflows
Differences between expected and actual experience		\$ 14,435
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		\$307,533
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$9,271	
Town contributions subsequent to the measurement date	\$81,062	
Total	\$90,333	\$321,968

\$90,333 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2016	(\$78,178)
2017	(\$78,178)
2018	(\$78,178)
2019	(\$78,165)
2020	
	(\$312,697)

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

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general,

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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 US 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 results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real 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	100%	

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

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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.

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

	<u>1%</u> <u>Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.25%)</u>	<u>1%</u> <u>Increase</u> <u>(8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 448,415	\$ (132,103)	\$ (620,881)

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

b. Law Enforcement Officers Special Separation Allowance

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

TOWN OF BURNSVILLE, NORTH CAROLINA
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Carolina General Assembly.

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

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

Summary of Significant Accounting Policies:

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

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

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, 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 expenses 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 operation 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 for the Plan because its required contributions are considered immaterial.

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c. 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 five percent of each officer's salary, and all amounts contributed are immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$15,342, which consisted of \$15,342 from the Town and none from the law enforcement officers.

d. Defined Contribution 401(K) Plan

The Town sponsors a defined contribution 401(K) plan, in which the Town has pledged to match as funds are available, 100% of employee contributions up to 2% of the employee's annual salary. The Town portion of contributions for the year ended June 30, 2015 was \$6,927.

e. Post-Employment Health Care Benefits

Plan Description. The Town sponsors a defined contribution 401(K) plan, in which the Town has pledged to match as funds are available, 100% of employee contributions up to 2% of the employee's annual salary. A separate report was not issued for the plan.

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Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers:
Retirees and dependents receiving benefits	8	-
Active plan members	20	8
Total	28	8

Funding Policy. The Town pays partial cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by City Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 57.7% of annual covered payroll. For the current year, the Town contributed \$97,565 or 9% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. Postemployment 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 OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

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Annual required contribution	\$ 168,048
Interest on net OPEB obligation	23,240
Adjustment to annual required contribution	<u>(22,202)</u>
Annual OPEB cost (expense)	169,086
Contributions made	<u>(97,565)</u>
Increase (decrease) in net OPEB obligation	71,521
Net OPEB obligation, beginning of year	581,006
Net OPEB obligation, end of year	<u><u>\$ 652,527</u></u>

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

3 Year Trend Information

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 169,086	57.7%	\$ 652,527
2014	\$ 156,704	39.6%	\$ 486,301
2013	\$ 151,956	23.0%	\$ 369,322

Funded Status and Funding Progress. As of December 31, 2013, 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 \$1,800,221. The covered payroll (annual payroll of active employees covered by the plan) was \$1,090,908, and the ratio of the UAAL to the covered payroll was 165.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.0 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

3. Other Employment Benefits

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

4. Deferred inflows and outflows of resources

The balance in deferred inflows and outflows of resources at year-end is composed of the following elements:

Government wide statements:

Deferred outflows: Contributions to pension plan in current fiscal year:
\$90,333

Deferred inflows: Pension related deferrals \$321,968

Fund statements: Deferred inflows: taxes receivable \$47,976

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town is a participant in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property policy, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values

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

The Town carries flood insurance through the Inter Local Risk Financing Fund of North Carolina. The coverage pays up to \$5 million per occurrence.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 and the tax collector is bonded for \$25,000.

Long-Term Obligations

Installment Purchase

The Town has entered into various installment purchase contracts comprised of the following:

Serviced by Governmental Funds:

\$720,000 for building and sidewalks, interest at 3.8% through October, 2025	\$	366,000
\$21,100 for police car, interest at 3.88% through December, 2017		10,325
\$20,100 for police car, interest at 3.88% through December 2015		7,891
Total governmental fund debt	\$	<u>384,216</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 48,378	\$ 15,071
2017	41,838	12,023
2018	36,000	10,574
2018	36,000	9,881
2020	36,000	7,708
2021 - 2025	186,000	17,632
Total	<u>\$ 384,216</u>	<u>\$ 72,889</u>

General Obligation Indebtedness

In October 2004, the Town of Burnsville completed a current refunding bond issuance to refinance the outstanding water bonds at that time. All bond proceeds went toward paying off outstanding bonds, and the Town received no additional monies from the issuance. All general obligation bonds are collateralized by the faith, credit and taxing power of the Town. Principal and interest requirements are appropriated as they become due.

Bonds payable at June 30, 2015 are comprised of the following:

2004 water and sewer refunding bond due in annual installments ranging from \$142,854 to \$140,123 through June 2018; interest rates at 3.82% \$395,000

At June 30, 2015, the Town of Burnsville had no bonds authorized or uninsured and had legal debt margin of \$12,433,641.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 130,000	\$ 15,089
2017	130,000	10,123
2018	135,000	10,157
Total	<u>\$ 395,000</u>	<u>\$ 35,369</u>

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

On May 1, 2012, the Town was approved for funding from a Federal Revolving Loan in the amount of \$1,521,236 with principal forgiveness of \$760,618 to finance a capital project for the water inflow and infiltration system. As of June 30, 2015, \$745,937 representing loan funds had been drawn down from the NC Department of Environmental and Natural Resources. Terms of repayment call for an annual principal payment of \$40,033 for a term of 19 years at an interest rate of 2%, along with semi-annual interest payments.

Changes in Long-Term Liabilities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Installment purchase contracts	\$ 440,063	\$ -	\$ 55,848	\$ 384,216	\$ 48,378
Compensated absences	57,543	4,170	-	61,713	61,713
Other post employment benefits	375,222	46,489	-	421,710	-
Total governmental activities	<u>\$ 872,828</u>	<u>\$ 50,659</u>	<u>\$ 55,848</u>	<u>\$ 867,639</u>	<u>\$ 110,091</u>
Business-Type Activities					
General obligation bonds	\$ 515,000	\$ -	\$ 130,000	\$ 395,000	\$ 130,000
Revolving loan fund	705,904	-	38,487	667,417	-
Compensated absences	45,230	-	13,196	32,531	32,531
Other post employment benefits	205,784	25,033	-	230,817	-
Total business-type activities	<u>\$ 1,472,415</u>	<u>\$ 25,033</u>	<u>\$181,683</u>	<u>\$ 1,325,765</u>	<u>\$ 162,531</u>

Component unit activity:

The Burnsville ABC Board entered into a promissory note with First Citizens Bank and Trust Company on December 30, 2014. The loan agreement was called for a principal amount of \$160,000 with a fixed interest rate of 4% with thirty-six monthly payments of \$4,727.92 including interest beginning January 30, 2015. The note is secured by all assets of the Organization.

Maturities of long term debt are as follows:

Interest and principal due:	
Year Ended June 30, 2016:	\$52,488
Year Ended June 30, 2017:	\$54,629
Year Ended June 30, 2018:	\$22,883

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

NOTE 3: JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with seven counties and nineteen municipalities, established the Region D 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 and this governing board selects the management and determines the budget and financing requirements of the Council. The Town paid membership fees of \$510 to the Council during the fiscal year ended June 30, 2015.

The Town participates in a joint venture to operate the Yancey County Economic Development Commission with Yancey County. Each participating government appoints one member to the governing board. The Town has an ongoing financial responsibility for the joint venture because the Commission's continued existence depends on the participating governments' continued funding. Neither of the participating governments have an equity interest in the Commission, so no equity interest has been reflected in the financial statements at June 30, 2015. The Town appropriated \$10,000 to the Commission to supplement its activities. Complete financial statements for the Commission may be obtained from the Commission's office at the Yancey County EDC, P.O. Box 246, Burnsville, NC 28714.

NOTE 4: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5: CONCENTRATIONS

The Town has one textile manufacturer that uses a significant portion of the Town's water and sewer services. Total revenue from this customer accounts for 11% of total revenue in this area for the year ended June 30, 2015.

TOWN OF BURNSVILLE, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2015

NOTE 6: FUND BALANCE

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

Total fund balance-General Fund	\$1,036,303
Less:	
Stabilization by State Statute	102,840
Streets-Powell Bill	81,292
Public Safety – Fire Tax	100,253
Remaining Fund Balance	751,918

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2015, the date which the financial statements were available to be issued.

NOTE 8: CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$91,794 and \$78,194, respectively.

TOWN OF BURNSVILLE, NORTH CAROLINA
Other Post Employment Benefits
Required Supplementary Information

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</u>	<u>Unfunded (AAL) (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b -a)/c)</u>
12/31/2005	0	1,745,668	1,745,668	0%	648,941	269.00%
12/31/2010	0	1,580,319	1,580,319	0%	965,109	165.30%
12/31/2013	0	1,800,221	1,800,221	0%	1,090,908	165.00%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	147,809	29%
2012	147,372	32.5%
2013	151,956	23%
2014	156,704	39.6%
2015	169,086	57.7%

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 valuations are as follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	
Pre-Medicare trend rate	7.75% - 5.0%
Post-Medicare trend rate	5.75% - 5%
Year of Ultimate trend rate	2019
Includes inflation at	3.00%

See the Accompanying Independent Auditors' Report.

**Town of Burnsville
 Proportionate Share of Net Pension (Liability) Asset
 Required Supplementary Information
 Last Two Fiscal Years**

	2015	2014
Local Government Employees Retirement System		
Town's proportion of the net pension liability (asset) (%)	0.000224	0.000208
Town's proportion of the net pension liability (asset) (\$)	132,103	250,720
Town's covered-employee payroll	1,130,713	1,132,429
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.12	0.22
Plan fiduciary net position as a percentage of the total pension liability	1.0264	0.9435

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

**Town of Burnsville
 Schedule of Contributions to the Local Government Employees' Retirement System
 Required Supplementary Information
 Last Two Fiscal Years**

	2015	2014
Local Government Employees Retirement System		
Contractually required contribution	81,062	80,732
Contributions in relation to the contractually required contribution	81,062	80,732
Town's covered-employee payroll	1,130,713	1,132,429
Contributions as a percentage of covered-employee payroll	0.0717	0.0713

Town of Burnsville, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 944,124	\$
Penalties and interest		7,364	
Total	984,970	951,488	(33,482)
Other taxes and licenses:			
Privilege licenses		17,646	
Total	18,000	17,646	(354)
Unrestricted intergovernmental:			
Local option sales tax		285,487	
Telecommunications sales tax		41,623	
Utility franchise tax		127,041	
Cable franchise tax		17,760	
Beer and wine tax		8,189	
Solid waste disposal tax		1,092	
Payment in lieu of taxes		1,100	
Medicaid Hold Harmless distribution		108,640	
Total	454,250	590,932	136,682
Restricted intergovernmental:			
Fire tax passed through Yancey County		161,251	
Powell Bill allocation		53,644	
Fire Department Grant		10,226	
Police Department Grant		433	
Total	227,140	225,554	(1,586)
Permits and fees:			
City citations		8,978	
Building permits		5,863	
Court fees		358	
Town Centre operations		57,378	
Total	60,850	72,577	11,727
Investment earnings	8,250	15,035	6,785
Miscellaneous:			
Other			
Total	15,500	19,551	4,051
Total revenues	1,768,960	1,892,783	123,823

See the accompanying Independent Auditor's Report.

Town of Burnsville, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
General government -			
Salaries and employee benefits		186,140	
Professional services		68,742	
Other operating expenditures		85,151	
Total general government	363,626	340,033	23,593
Public safety -			
Police Department:			
Salaries and employee benefits		504,274	
Other operating expenditures		64,456	
Capital outlay		31,447	
Total	602,101	600,177	1,924
Fire:			
Salaries and employee benefits		70,379	
Other operating expenditures		85,636	
Capital outlay		329,276	
Total	544,605	485,291	59,314
Total public safety	1,146,706	1,085,468	61,238
Public works:			
Streets and highways:			
Salaries and employee benefits		116,830	
Street lights		20,342	
Other operating expenditures		61,464	
Capital outlay		95,930	
Total public works	363,406	294,566	68,840
Environmental protection			
Sanitation		90,637	
Total environmental protection	89,500	90,637	(1,137)
Cultural and recreational			
Community Agency Contributions			
Parkway Playhouse		2,000	
Toe River Arts Council		9,600	
Yancey History Association		2,000	
Other		20,856	
Total cultural and recreational	39,790	34,456	5,334

See the accompanying Independent Auditor's Report.

Town of Burnsville, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Town Centre			
Salaries and employee benefits		59,371	
Professional fees		5,637	
Other operating expenditures		23,381	
Total Town Centre	105,662	88,389	17,273
Economic Development			
Yancey Economic Development Commission		15,000	
Region D Council of Governments		510	
Total economic development	15,510	15,510	-
Principal retirement	55,085	55,848	
Interest and fees	18,675	19,491	
Total debt service	73,760	75,339	(1,579)
Total expenditures	2,197,960	2,024,398	173,562
Revenue over (under) expenditures	(429,000)	(131,615)	297,385
Other financing sources (uses):			
Operating transfers in (out):			
Loan proceeds	30,000	-	(30,000)
Total other financing sources (uses)	30,000	-	(30,000)
Excess of revenues and other sources over (under) expenditures and other uses	(399,000)	(131,615)	267,385
Appropriated fund balance	399,000	-	(399,000)
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(131,615)	(131,615)
Fund balances - beginning of year		1,167,918	
Fund balances - end of year		\$ 1,036,303	

See the accompanying Independent Auditor's Report.

Town of Burnsville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--Budget and Actual-- (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Water and sewer charges	\$	\$ 1,904,811	\$
Water and sewer connection fees		19,850	
Late and reconnect fees		69,692	
Capacity Depletion Impact fees		140,374	
Fire protection line		10,230	
Interest income		10,338	
Other		4,429	
Total revenues	<u>2,140,835</u>	<u>2,159,724</u>	<u>18,889</u>
Expenditures:			
Water administration			
Salaries and employee benefits		869,054	
Contract services		144,000	
Repairs		130,235	
Utilities and phone		238,572	
Supplies		248,164	
Insurance		29,003	
Sewer penalties		0	
Travel		4,996	
Other operating expenditures		5,573	
Capital outlay		237,470	
Total general government	<u>1,946,717</u>	<u>1,907,067</u>	<u>39,650</u>
Debt service -			
Principal retirement		158,487	
Interest and fees		48,219	
Total debt service	<u>194,118</u>	<u>206,706</u>	<u>(12,588)</u>
Total expenditures	<u>2,140,835</u>	<u>2,113,773</u>	<u>27,062</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>45,951</u>	<u>45,951</u>
Reconciliation from Budgetary Basis (Modified Accrual) \$ to Full Accrual:	<u>-</u>	<u>-</u>	<u>\$ -</u>
Principal retirement		158,487	
Depreciation and bond amortization		(293,375)	
Change in accrued vacation pay and pension benefits		45,468	
Capital contributions		202,022	
Total reconciling items:		<u>112,602</u>	
Change in net position		<u>\$ 158,553</u>	

See the accompanying Independent Auditor's Report.

**TOWN OF BURNSVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FINES AND FORFEITURES AGENCY FUND
JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Fines and Forfeitures				
Assets:				
Current Assets:				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>6,350</u>	\$ <u>(6,350)</u>	\$ <u>-</u>
Liabilities:				
Intergovernmental payable	\$ <u>-</u>	\$ <u>6,350</u>	\$ <u>(6,350)</u>	\$ <u>-</u>

See the accompanying Independent Auditors' Report.

Town of Burnsville, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2015

	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014 - 2015	\$	\$ 867,517	\$ 848,709	\$ 18,808
2013 - 2014	85,206	-	68,981	16,225
2012 - 2013	22,280	-	10,949	11,331
2011 - 2012	6,061	-	2,986	3,075
2010 - 2011	3,065	-	1,632	1,433
2009 - 2010	656	-	-	656
2008 - 2009	635	-	-	635
2007 - 2008	327	-	-	327
2006 - 2007	335	-	-	335
2005 - 2006	624	-	624	-
2004 - 2005	\$ <u>119,189</u>	\$ <u>867,517</u>	\$ <u>933,881</u>	\$ <u>52,825</u>
Less: allowance for uncollectible accounts: General Fund				<u>(4,847)</u>
Ad valorem taxes receivable - net General Fund				\$ <u>47,978</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ <u>951,488</u>
Reconciling items:				
Interest collected				(7,364)
Discounts and write offs				<u>(10,243)</u>
Total reconciling items				<u>(17,607)</u>
Total collections and credits				\$ <u>933,881</u>

Town of Burnsville, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2015

	Town-wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 173,503,432	0.500	\$ 867,517	\$ 798,597	\$ 68,920
Total property valuations	<u>173,503,432</u>				
Net levy			867,517	798,597	68,920
Uncollected taxes at June 30, 2015			<u>18,808</u>	<u>18,808</u>	<u>-</u>
Current year's taxes collected			\$ <u>848,709</u>	\$ <u>779,789</u>	\$ <u>68,920</u>
Current year's collection percentage			<u>97.83%</u>	<u>97.64%</u>	<u>100.00%</u>

See the accompanying Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Town of Burnsville, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Burnsville's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Burnsville'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Burnsville'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 a 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 the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
November 6, 2015