

TOWN OF YADKINVILLE, NORTH CAROLINA

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014

TOWN OF YADKINVILLE, NORTH CAROLINA

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| Members of Board of Commissioners and Town Officials | 1 |
| Independent Auditor’s Report | 2 |
| Management’s Discussion and Analysis | 4 |
| Basic Financial Statements: | |
| <u>Government-wide Financial Statements</u> | |
| Statement of Net Position (Exhibit 1)..... | 13 |
| Statement of Activities (Exhibit 2)..... | 14 |
| <u>Fund Financial Statements</u> | |
| Balance Sheet – Governmental Funds (Exhibit 3)..... | 15 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 3)..... | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit 4)..... | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 5)..... | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Exhibit 6)..... | 18 |
| Statement of Net Position – Proprietary Fund (Exhibit 7)..... | 19 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit 8)..... | 20 |
| Statement of Cash Flows – Proprietary Fund (Exhibit 9)..... | 21 |
| Notes to Financial Statements | 22 |

TOWN OF YADKINVILLE, NORTH CAROLINA

**TABLE OF CONTENTS
(CONTINUED)**

| | <u>Page No.</u> |
|---|-----------------|
| Individual Fund Financial Statements Section | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund..... | 40 |
| Combining Balance Sheet - Non-Major Governmental Funds | 45 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds..... | 46 |
| Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund | 47 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - From Inception to Date Water and Sewer Capital Project Fund – Reservoir Project | 51 |
| Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) Component Unit - Yadkinville Tourism Development Authority | 52 |
| Other Schedules | |
| Schedule of Ad Valorem Taxes Receivable..... | 53 |
| Analysis of Current Tax Levy-Town-Wide Levy | 54 |

TOWN OF YADKINVILLE, NORTH CAROLINA

**TABLE OF CONTENTS
(CONTINUED)**

Compliance Section

| | |
|--|----|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 55 |
| Schedule of Findings and Questioned Costs | 57 |
| Corrective Action Plan | 58 |
| Summary Schedule of Prior Audit Findings | 59 |
| Schedule of Expenditures of Federal and State Awards | 60 |

TOWN OF YADKINVILLE, NORTH CAROLINA

MEMBERS OF BOARD OF COMMISSIONERS

Betty Driver

Tony L. Hall

Kelly Oliver

Thomas E. Norman, Jr.

Monta Davis-Oliver

TOWN OFFICIALS

Hubert L. Gregory Mayor

Christopher S. Ong Town Manager

Dina S. Reavis Finance Officer

Carmen L. Headen Town Clerk

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Yadkinville, North Carolina
Yadkinville, 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 the Town of Yadkinville, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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 presentation 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 Governmental Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund balance of the Town of Yadkinville, North Carolina as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 Town of Yadkinville, North Carolina's financial statements as a whole. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, statistical section and schedule of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2014 on our consideration of the Town of Yadkinville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Yadkinville's internal control over financial reporting and compliance.

Cannon & Company, L.L.P.

October 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Yadkinville

"A Town in progress"

Management's Discussion and Analysis

As management of the Town of Yadkinville, we offer readers of the Town of Yadkinville's financial statements this narrative overview and analysis of the financial activities of the Town of Yadkinville for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the town's financial statements, which follow this narrative.

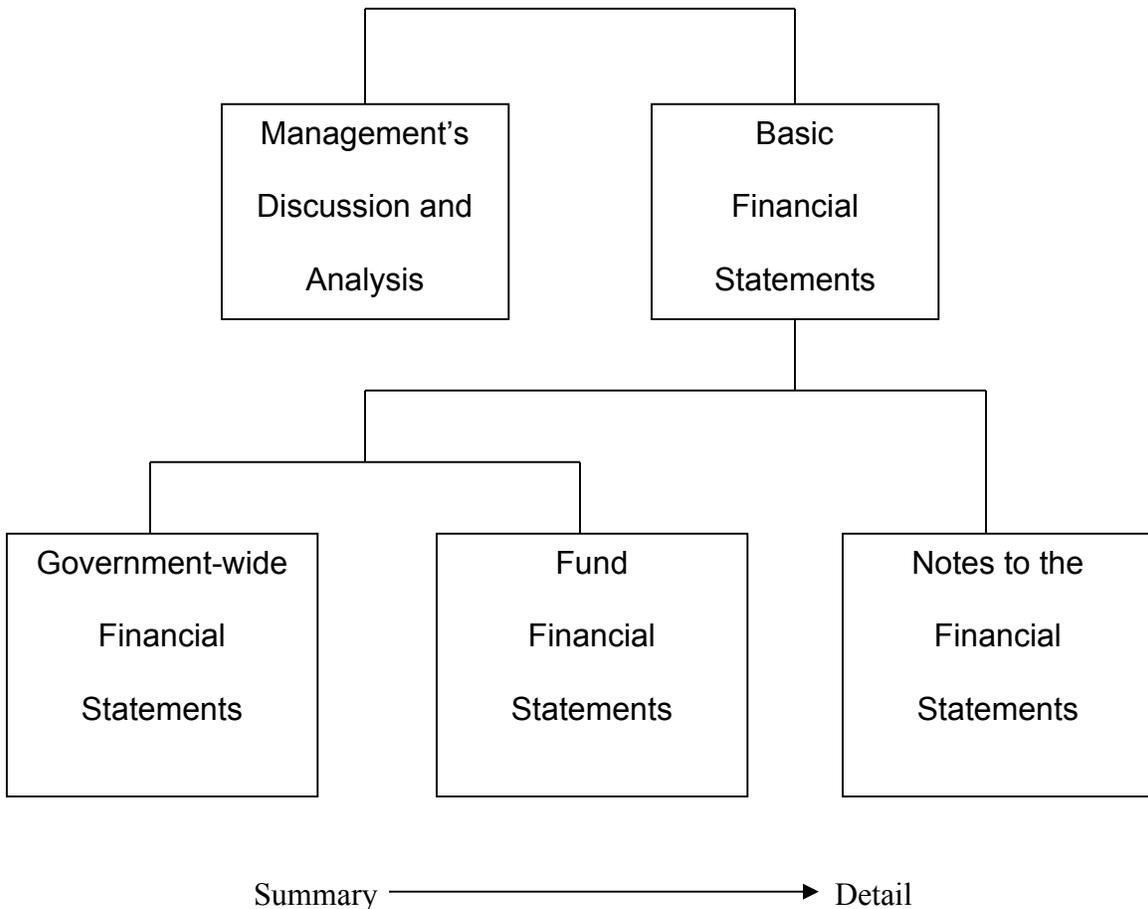
Financial Highlights

- The assets and deferred outflows of resources of the Town of Yadkinville *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,443,590 (*net position*).
- The government's total net position *decreased* by \$164,595, primarily due to a *decrease* in the *Business-type* activities net position. As of the close of the current fiscal year, the Town of Yadkinville's governmental funds reported combined ending fund balances of \$1,859,694 a *decrease* of \$153,070 in comparison with the prior year. Approximately 78 percent of this total amount, or \$1,442,268 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,442,268, or 56 percent of total general fund expenditures for the fiscal year.
- The Town of Yadkinville's total debt *decreased* by \$43,857 (7%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Yadkinville'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 Yadkinville.

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the town 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

Management Discussion and Analysis Town of Yadkinville

funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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

Management Discussion and Analysis Town of Yadkinville

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

Proprietary Funds – The Town of Yadkinville has just one type of proprietary fund – an *Enterprise Fund*. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Yadkinville uses enterprise funds to account for its water and sewer activity operations. 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 22 to 37 of this report.

Management Discussion and Analysis
Town of Yadkinville

Government-Wide Financial Analysis

The Town of Yadkinville's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 1,983,857 | \$ 2,155,705 | \$ 1,212,415 | \$ 1,772,603 | \$ 3,196,272 | \$ 3,928,308 |
| Capital assets | 3,691,270 | 3,400,563 | 13,343,398 | 13,104,301 | 17,034,668 | 16,504,864 |
| Total assets | <u>5,675,127</u> | <u>5,556,268</u> | <u>14,555,813</u> | <u>14,876,904</u> | <u>20,230,940</u> | <u>20,433,172</u> |
| Long-term liabilities outstanding | 453,670 | 493,451 | 34,044 | 35,492 | 487,714 | 528,943 |
| Other liabilities | 153,976 | 153,806 | 145,660 | 142,238 | 299,636 | 296,044 |
| Total liabilities | <u>607,646</u> | <u>647,257</u> | <u>179,704</u> | <u>177,730</u> | <u>787,350</u> | <u>824,987</u> |
| Net position: | | | | | | |
| Net invested in capital assets | 3,224,603 | 2,887,230 | 13,343,398 | 13,104,301 | 16,568,001 | 15,991,531 |
| Restricted | 375,852 | 456,069 | - | - | 375,852 | 456,069 |
| Unrestricted | 1,467,026 | 1,565,712 | 1,032,711 | 1,594,873 | 2,499,737 | 3,160,585 |
| Total net position | <u>\$ 5,067,481</u> | <u>\$ 4,909,011</u> | <u>\$ 14,376,109</u> | <u>\$ 14,699,174</u> | <u>\$ 19,443,590</u> | <u>\$ 19,608,185</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Yadkinville exceeded liabilities by \$19,433,590 as of June 30, 2014. The town's net position *decreased* by \$165,595 for the fiscal year ended June 30, 2014. However, the largest portion (85%) 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 Yadkinville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Yadkinville'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. An additional portion of the Town of Yadkinville's net position (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,499,737 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.39%.
- Long-term debt decreased by \$43,858.

Governmental activities. Governmental activities *increased* the Town of Yadkinville's net position by \$158,470 as compared to a total decrease of \$164,595 in net position.

Management Discussion and Analysis
Town of Yadkinville

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Yadkinville'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 Yadkinville'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 Yadkinville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,442,268 while total fund balance reached \$1,859,694. 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. Unassigned fund balance represents 56 percent of total General Fund expenditures.

At June 30, 2014, the governmental funds of the Town of Yadkinville reported a combined fund balance of \$1,859,694, an 8.1 percent decrease from last year.

Management Discussion and Analysis
Town of Yadkinville

Town of Yadkinville Changes in Net Position
Figure 3

| | Governmental Activities 2014 | Governmental Activities 2013 | Business Type Activities 2014 | Business Type Activities 2013 | Total 2014 | Total 2013 |
|---|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------|------------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,257 | \$ 4,595 | \$ 2,128,836 | \$ 2,246,541 | \$ 2,132,093 | \$ 2,251,136 |
| Operating grants and contributions | 90,492 | 106,354 | - | - | 90,492 | 106,354 |
| Capital grants and contributions | 132,590 | 5,720 | 52,000 | - | 184,590 | 5,720 |
| General revenues: | | | | | | |
| Property taxes | 1,037,587 | 990,108 | - | - | 1,037,587 | 990,108 |
| Other taxes | 24,373 | 21,271 | - | - | 24,373 | 21,271 |
| Grants and contributions not restricted to specific programs | 1,001,860 | 947,726 | - | - | 1,001,860 | 947,726 |
| Other | 262,119 | 111,723 | 495 | 782 | 262,614 | 112,505 |
| Total revenues | 2,552,278 | 2,187,497 | 2,181,331 | 2,247,323 | 4,733,609 | 4,434,820 |
| Expenses: | | | | | | |
| General government | 570,301 | 547,618 | - | - | 570,301 | 547,618 |
| Public safety | 1,043,060 | 949,138 | - | - | 1,043,060 | 949,138 |
| Transportation | 447,655 | 328,658 | - | - | 447,655 | 328,658 |
| Environmental protection | 208,602 | 204,337 | - | - | 208,602 | 204,337 |
| Culture and recreation | 105,953 | 97,924 | - | - | 105,953 | 97,924 |
| Interest on long-term debt | 18,237 | 20,473 | - | - | 18,237 | 20,473 |
| Water and sewer | - | - | 2,504,396 | 2,507,519 | 2,504,396 | 2,507,519 |
| Total expenses | 2,393,808 | 2,148,148 | 2,504,396 | 2,507,519 | 4,898,204 | 4,655,667 |
| Increase/(decrease) in net position before transfers | 158,470 | 39,349 | (323,065) | (260,196) | (164,595) | (220,847) |
| Transfers | - | - | - | - | - | - |
| Increase/(decrease) in net position | 158,470 | 39,349 | (323,065) | (260,196) | (164,595) | (220,847) |
| Net position, July 1 | 4,909,011 | 4,869,662 | 14,699,174 | 14,959,370 | 19,608,185 | 19,829,032 |
| Net position, June 30 | \$ 5,067,481 | \$ 4,909,011 | \$ 14,376,109 | \$ 14,699,174 | \$ 19,443,590 | \$ 19,608,185 |

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.

Management Discussion and Analysis
Town of Yadkinville

Proprietary Funds. The town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer District at the end of the fiscal year amounted to \$1,032,711. The total decrease in net position for the fund was \$323,065. Other factors concerning the finances of this fund have already been addressed in the discussion of the town’s business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Yadkinville’s investment in capital assets for its governmental and business–type activities as of June 30, 2014, totals \$17,034,688 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

**Town of Yadkinville’s Capital Assets
(net of depreciation)**

Figure 4

| | Governmental Activities 2014 | Governmental Activities 2013 | Business-type Activities 2014 | Business-type Activities 2013 | Total 2014 | Total 2013 |
|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|
| Land | \$ 1,311,743 | \$ 1,110,231 | \$ 1,003,196 | \$ 1,003,196 | \$ 2,314,939 | \$ 2,113,427 |
| Buildings | 1,094,817 | 1,126,326 | - | - | 1,094,817 | 1,126,326 |
| Improvements | 603,229 | 588,401 | - | - | 603,229 | 588,401 |
| Water and Sewer system equipment | - | - | 12,015,523 | 11,875,034 | 12,015,523 | 11,875,034 |
| Other equipment | 98,178 | 99,629 | 318,817 | 202,146 | 416,995 | 301,775 |
| Automotive equipment | 153,525 | 161,034 | 5,862 | 13,110 | 159,387 | 174,144 |
| Infrastructure | 429,778 | 314,942 | - | - | 429,778 | 314,942 |
| Construction in progress | - | - | - | 10,815 | - | - |
| Total | \$ 3,691,270 | \$ 3,400,563 | \$ 13,343,398 | \$ 13,104,301 | \$ 17,034,668 | \$ 16,504,864 |

Additional information on the town capital assets can be found in note 3.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, the Town of Yadkinville had an installment purchase agreement totaling \$466,667. The installment purchase agreement was issued to finance a park project.

Management Discussion and Analysis Town of Yadkinville

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 Town of Yadkinville is \$19,758,716.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the town.

- Recent expansions at Unifi in Yadkinville
- Low unemployment. Yadkin County's unemployment rate of 5.8% is significantly below the State average of 7.1%.
- New commercial and residential development.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The General Fund is balanced with a tax rate of \$0.41 per \$100 valuation. This rate will provide approximately \$852,890 in property tax revenues. The property tax base is estimated to be \$223,295,368 which is an increase of 0.7% over FY 2013-2014, and is realistically based on information from the Yadkinville Tax Administrator. A penny on the tax rate is projected to generate about \$20,713 in revenue.

The FY 2014-2015 Adopted Budget for the General Fund totals \$2,348,334 which is about a 6.2% increase from the FY 2013-2014 Adopted Budget of \$2,211,268.

Business – type Activities: The FY 2014-2015 Adopted Budget for the Water and Sewer Fund totals \$2,312,876. This is about a 5.1% increase from the FY 2013-2014 Adopted Budget of \$2,200,589.

Requests for Information

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Christopher S. Ong by phone at 336-679-8732, by e-mail at townmanager@yadtel.net or by mail at P.O. Box 816, Yadkinville, North Carolina 27055. The Town of Yadkinville's website is www.yadkinville.org.

BASIC FINANCIAL STATEMENTS

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|--|
| | Governmental Activities | Business-type Activities | Total | Yadkinville Tourism Development Authority |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,615,061 | \$ 757,693 | \$ 2,372,754 | \$ 54,014 |
| Restricted cash | 4,213 | 38,690 | 42,903 | - |
| Taxes receivables (net) | 66,632 | - | 66,632 | - |
| Accrued interest receivable on taxes | 8,230 | - | 8,230 | - |
| Accounts receivable (net) | 32,952 | 210,598 | 243,550 | - |
| Unbilled receivables | - | 93,755 | 93,755 | - |
| Due from other governments | 256,769 | - | 256,769 | 11,634 |
| Inventories | - | 111,679 | 111,679 | - |
| Total current assets | <u>1,983,857</u> | <u>1,212,415</u> | <u>3,196,272</u> | <u>65,648</u> |
| Capital assets (Note 1): | | | | |
| Land, non-depreciable improvements | 1,311,743 | 1,003,196 | 2,314,939 | - |
| Other capital assets, net of depreciation | 2,379,527 | 12,340,202 | 14,719,729 | - |
| Total capital assets | <u>3,691,270</u> | <u>13,343,398</u> | <u>17,034,668</u> | <u>-</u> |
| Total assets | <u>\$ 5,675,127</u> | <u>\$ 14,555,813</u> | <u>\$ 20,230,940</u> | <u>\$ 65,648</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 37,716 | \$ 65,281 | \$ 102,997 | \$ 8,205 |
| Due to tourism authority | 11,634 | - | 11,634 | - |
| Prepaid taxes | 7,719 | - | 7,719 | - |
| Customer deposits | - | 38,690 | 38,690 | - |
| Current portion of long-term liabilities | 96,907 | 41,689 | 138,596 | - |
| | <u>153,976</u> | <u>145,660</u> | <u>299,636</u> | <u>8,205</u> |
| Long-term liabilities: | | | | |
| Due in more than one year | 453,670 | 34,044 | 487,714 | - |
| Total liabilities | <u>607,646</u> | <u>179,704</u> | <u>787,350</u> | <u>8,205</u> |
| NET POSITION | | | | |
| Net invested in capital assets | 3,224,603 | 13,343,398 | 16,568,001 | - |
| Restricted for: | | | | - |
| Care of Hinshaw Gardens | 81,918 | - | 81,918 | - |
| Stabilization by State Statute | 289,721 | - | 289,721 | - |
| Streets | 4,213 | - | 4,213 | - |
| Other purposes | - | - | - | 57,443 |
| Unrestricted | 1,467,026 | 1,032,711 | 2,499,737 | - |
| Total net position | <u>\$ 5,067,481</u> | <u>\$ 14,376,109</u> | <u>\$ 19,443,590</u> | <u>\$ 57,443</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Yadkinville Tourism Authority |
|---|------------------|-------------------------|---------------------------------------|-------------------------------------|---|-----------------------------|---------------|-------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 570,301 | \$ 2,271 | \$ - | \$ - | \$ (568,030) | \$ - | \$ (568,030) | \$ - |
| Public safety | 1,043,060 | 986 | 153 | 9,590 | (1,032,331) | - | (1,032,331) | - |
| Transportation | 447,655 | - | 90,339 | 123,000 | (234,316) | - | (234,316) | - |
| Environmental protection | 208,602 | - | - | - | (208,602) | - | (208,602) | - |
| Cultural and recreation | 105,953 | - | - | - | (105,953) | - | (105,953) | - |
| Interest on long-term debt | 18,237 | - | - | - | (18,237) | - | (18,237) | - |
| Total governmental activities | 2,393,808 | 3,257 | 90,492 | 132,590 | (2,167,469) | - | (2,167,469) | - |
| Business-type activities: | | | | | | | | |
| Water and sewer | 2,504,396 | 2,128,836 | - | 52,000 | - | (323,560) | (323,560) | - |
| Total business-type activities | 2,504,396 | 2,128,836 | - | 52,000 | - | (323,560) | (323,560) | - |
| Total primary government | \$ 4,898,204 | \$ 2,132,093 | \$ 90,492 | \$ 184,590 | (2,167,469) | (323,560) | (2,491,029) | - |
| Component unit: | | | | | | | | |
| Yadkinville Tourism Development Authority | \$ 29,876 | \$ - | \$ - | \$ - | - | - | - | 29,876 |
| Total component unit | \$ 29,876 | \$ - | \$ - | \$ - | - | - | - | 29,876 |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 1,037,587 | - | 1,037,587 | - |
| Other taxes | | | | | 24,373 | - | 24,373 | - |
| Grants and contributions not related to specific programs | | | | | 1,001,860 | - | 1,001,860 | - |
| Permits and fees | | | | | 139,527 | - | 139,527 | - |
| Payment from Town of Yadkinville | | | | | - | - | - | 24,373 |
| Unrestricted investment earnings | | | | | 1,129 | 495 | 1,624 | - |
| Miscellaneous | | | | | 121,463 | - | 121,463 | 4,449 |
| Total general revenues not including transfers | | | | | 2,325,939 | 495 | 2,326,434 | 28,822 |
| Transfers | | | | | - | - | - | - |
| Total general revenues and transfers | | | | | 2,325,939 | 495 | 2,326,434 | 28,822 |
| Change in net position | | | | | 158,470 | (323,065) | (164,595) | (1,054) |
| Net position, beginning | | | | | 4,909,011 | 14,699,174 | 19,608,185 | 58,497 |
| Net position, ending | | | | | \$ 5,067,481 | \$ 14,376,109 | \$ 19,443,590 | \$ 57,443 |

The accompanying notes are an integral part of this statement.

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

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Total</u> <u>Non-Major</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|--|--|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,533,143 | \$ 81,918 | \$ 1,615,061 |
| Restricted cash | 4,213 | - | 4,213 |
| Taxes receivable, net: | 66,632 | - | 66,632 |
| Accounts receivable, net | 32,952 | - | 32,952 |
| Due from other governments | 256,769 | - | 256,769 |
| Total assets | <u>\$ 1,893,709</u> | <u>\$ 81,918</u> | <u>\$ 1,975,627</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 29,948 | \$ - | \$ 29,948 |
| Due to Yadkin County Tourism Authority | 11,634 | - | 11,634 |
| Total liabilities | <u>41,582</u> | <u>-</u> | <u>41,582</u> |
| Deferred inflows of resources | | | |
| Property taxes receivable | 66,632 | - | 66,632 |
| Prepaid taxes | 7,719 | - | 7,719 |
| Total deferred inflows of resources | <u>74,351</u> | <u>-</u> | <u>74,351</u> |
| Fund balances: | | | |
| Restricted: | | | |
| Stabilization by State statute | 289,721 | - | 289,721 |
| Streets | 4,213 | - | 4,213 |
| Care of Hinshaw Gardens | - | 81,918 | 81,918 |
| Assigned: | | | |
| Subsequent year expenditures | 41,574 | - | 41,574 |
| Unassigned | 1,442,268 | - | 1,442,268 |
| Total fund balances | <u>1,777,776</u> | <u>81,918</u> | <u>1,859,694</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,893,709</u> | <u>\$ 81,918</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.

| | |
|-------------------------------|-------------|
| Gross capital assets, at cost | 5,511,634 |
| Accumulated depreciation | (1,820,364) |

| | |
|---|-------|
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds. | 8,230 |
|---|-------|

| | |
|--|--------|
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | 66,632 |
|--|--------|

| | |
|--|-----------|
| Some liabilities, including installment purchase agreements, accrued interest and compensated absences are not due and payable in the current period and therefore are not included in the fund statements | (558,345) |
|--|-----------|

| | |
|---|---------------------|
| Net position of governmental activities | <u>\$ 5,067,481</u> |
|---|---------------------|

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Major</u> <u>General</u> <u>Fund</u> | <u>Total</u> <u>Non-Major</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|--|---|--|---|
| REVENUES | | | |
| Ad valorem taxes | \$ 1,053,853 | \$ - | \$ 1,053,853 |
| Other taxes | 24,373 | - | 24,373 |
| Unrestricted intergovernmental | 1,001,860 | - | 1,001,860 |
| Restricted intergovernmental | 100,082 | - | 100,082 |
| Permits and fees | 141,798 | - | 141,798 |
| Investment earnings | 1,039 | 90 | 1,129 |
| Other revenues | 122,374 | 75 | 122,449 |
| Total revenues | <u>2,445,379</u> | <u>165</u> | <u>2,445,544</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 770,155 | - | 770,155 |
| Public safety | 1,034,275 | - | 1,034,275 |
| Transportation | 430,387 | - | 430,387 |
| Environmental protection | 208,602 | - | 208,602 |
| Cultural and recreation | 89,515 | - | 89,515 |
| Debt service | 65,680 | - | 65,680 |
| Total expenditures | <u>2,598,614</u> | <u>-</u> | <u>2,598,614</u> |
| Revenues over (under) expenditures | <u>(153,235)</u> | <u>165</u> | <u>(153,070)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers from other funds | 8,403 | - | 8,403 |
| Transfer to other funds | - | (8,403) | (8,403) |
| Total other financing sources (uses): | <u>8,403</u> | <u>(8,403)</u> | <u>-</u> |
| Net change in fund balance | (144,832) | (8,238) | (153,070) |
| Fund balances, beginning | <u>1,922,608</u> | <u>90,156</u> | <u>2,012,764</u> |
| Fund balances, ending | <u>\$ 1,777,776</u> | <u>\$ 81,918</u> | <u>\$ 1,859,694</u> |

**TOWN OF YADKINVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

| | | |
|---|--|--------------|
| Net changes in fund balances - total governmental funds | | \$ (153,070) |
|---|--|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|--|------------------|---------|
| Capital outlay expenditures which were capitalized | 327,696 | |
| Depreciation expense for governmental assets | <u>(159,988)</u> | 167,708 |

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

Change in:

| | | |
|--|----------|---------|
| Amount of donated assets | 123,000 | |
| Change in unavailable revenue for tax revenues | (17,506) | |
| Interest on taxes receivable | 1,241 | 106,735 |

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

| | | |
|---------------------|--|--------|
| Long-term debt paid | | 46,666 |
|---------------------|--|--------|

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

| | | |
|--------------------------------|--|------------|
| Change in compensated absences | | (10,345) |
| Change in accrued interest | | <u>776</u> |

| | | |
|--|--|-------------------|
| Total changes in net assets of governmental activities | | <u>\$ 158,470</u> |
|--|--|-------------------|

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|------------------|---------------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 964,788 | \$ 964,788 | \$ 1,053,853 | \$ 89,065 |
| Other taxes | 19,480 | 21,475 | 24,373 | 2,898 |
| Unrestricted intergovernmental | 852,585 | 853,300 | 1,001,860 | 148,560 |
| Restricted intergovernmental | 91,100 | 100,690 | 100,082 | (608) |
| Permits and fees | 92,805 | 113,205 | 141,798 | 28,593 |
| Investment earnings | 2,400 | 2,400 | 1,039 | (1,361) |
| Other revenues | 119,240 | 128,240 | 122,374 | (5,866) |
| Total revenues | 2,142,398 | 2,184,098 | 2,445,379 | 261,281 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 576,530 | 781,968 | 770,155 | 11,813 |
| Public safety | 944,187 | 1,074,170 | 1,034,275 | 39,895 |
| Transportation | 348,363 | 479,545 | 430,387 | 49,158 |
| Environmental protection | 205,975 | 210,677 | 208,602 | 2,075 |
| Cultural and recreation | 75,883 | 94,979 | 89,515 | 5,464 |
| Debt service: | 67,010 | 67,010 | 65,680 | 1,330 |
| Total expenditures | 2,217,948 | 2,708,349 | 2,598,614 | 109,735 |
| Revenues over (under) expenditures | (75,550) | (524,251) | (153,235) | 371,016 |
| Other financing sources: | | | | |
| Transfers from Trust fund | 5,950 | 9,550 | 8,403 | (1,147) |
| Fund balance appropriated | 69,600 | 514,701 | - | (514,701) |
| Total other financing sources | 75,550 | 524,251 | 8,403 | (515,848) |
| Net change in fund balance | \$ - | \$ - | (144,832) | \$ (144,832) |
| Fund balances, beginning | | | 1,922,608 | |
| Fund balances, ending | | | \$ 1,777,776 | |

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

| | Water and Sewer Fund |
|---|---------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 757,693 |
| Restricted cash | 38,690 |
| Accounts receivable (net) - billed | 210,598 |
| Unbilled receivables | 93,755 |
| Inventories | 111,679 |
| Total current assets | 1,212,415 |
| Capital assets: | |
| Land, non-depreciable improvements | 1,003,196 |
| Other capital assets, net of depreciation | 12,340,202 |
| Capital assets (net) | 13,343,398 |
| Total noncurrent assets | 13,343,398 |
| Total assets | \$ 14,555,813 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 65,281 |
| Customer deposits | 38,690 |
| Current installments of long-term debt | 41,689 |
| Total current liabilities | 145,660 |
| Non-current liabilities: | |
| Long-term debt, less current installments | 34,044 |
| Total liabilities | 179,704 |
| NET POSITION | |
| Net invested in capital assets | 13,343,398 |
| Unrestricted | 1,032,711 |
| Total net position | \$ 14,376,109 |

TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

| | Water and Sewer Fund |
|---|---------------------------------|
| OPERATING REVENUES: | |
| Water and sewer charges | \$ 2,078,662 |
| Water and sewer taps | 13,364 |
| Reconnection fees and late charges | 20,157 |
| Other operating revenues | 16,653 |
| Total operating revenues | 2,128,836 |
| OPERATING EXPENSES: | |
| Operating expenses: | |
| Administration | 306,470 |
| Water plant | 472,209 |
| Sewer plant | 298,032 |
| Laboratory | 98,985 |
| Water/sewer operations | 618,186 |
| Non-departmental | 105,000 |
| Depreciation | 605,514 |
| Total operating expenses | 2,504,396 |
| Operating loss | (375,560) |
| NONOPERATING REVENUES (EXPENSES): | |
| Investment earnings | 495 |
| Total nonoperating revenues (expenses), net | 495 |
| Loss before contributions and transfers | (375,065) |
| CONTRIBUTIONS AND TRANSFERS | |
| Capital contributions | 52,000 |
| Contributions and transfers, net | 52,000 |
| Decrease in net position | (323,065) |
| Total net position, beginning | 14,699,174 |
| Total net position, ending | \$ 14,376,109 |

The accompanying notes are an integral part of this statement.

**TOWN OF YADKINVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Water and Sewer Fund</u> |
|--|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,070,197 |
| Cash paid for goods and services | (1,029,146) |
| Cash paid to or on behalf of employees for services | (769,346) |
| Customer deposits received | 12,886 |
| Customer deposits returned | (10,006) |
| Other operating revenues | <u>61,078</u> |
| Net cash provided by operating activities | <u>335,663</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING | |
| Non-departmental expenses | <u>(105,000)</u> |
| Total cash flows from noncapital financing activities | <u>(105,000)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | <u>792,611</u> |
| Net cash used by capital and related financing activities | <u>(792,611)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | <u>495</u> |
| Net increase in cash and cash equivalents | (561,453) |
| Balances, beginning | <u>1,357,836</u> |
| Balances, ending | <u>\$ 796,383</u> |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (270,560) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 605,514 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 2,439 |
| Increase in inventories | (3,704) |
| Increase in accounts payable and accrued liabilities | 6,630 |
| Increase in customer deposits | 2,880 |
| Decrease in compensated absences | <u>(7,536)</u> |
| Total adjustments | <u>606,223</u> |
| Net cash provided by operating activities | <u>\$ 335,663</u> |

NOTES TO FINANCIAL STATEMENTS

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Yadkinville, North Carolina (Town) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Yadkinville is a municipal corporation, which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component 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.

Yadkinville Tourism Development Authority

The members of the Yadkinville Tourism Development Authority's governing board are appointed by the Town. The Yadkinville Tourism Development Authority receives revenue through a six percent occupancy tax, which is levied and collected by the Town. The Town remits the taxes collected to the authority, net of administration and collection costs not to exceed three percent of collections up to \$500,000, and one percent thereafter. The Yadkinville Tourism Development Authority, which has a June 30 year end, is presented as if it were a governmental fund.

B. Basis of Presentation

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

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

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

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental fund:

Hinshaw Gardens Trust Fund. This fund is used to account for the endowment received and for which earnings are required to be used for the maintenance of Hinshaw Gardens.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. Included as a sub-fund is the Water and Sewer Capital Project Fund.

C. Measurement Focus and Basis of Accounting

All funds of the Town are accounted for on the cash basis of accounting during the year, and are converted to the modified accrual or accrual basis of accounting at year end in accordance with North Carolina General Statutes.

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

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 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.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Sales taxes and certain intergovernmental revenues such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental 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 resources to such programs, followed by categorical block grants and then by general revenues

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Water and Sewer Capital Project Funds, which are consolidated with the operating fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, some amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Cash and Cash Equivalents

The Town pools money from the General Fund, the Water and Sewer Fund and all other funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.

Town of Yadkinville Restricted Cash

| | | | |
|--------------------------|-------------------|--|-----------------|
| Governmental Activities | | | |
| General Fund | Streets | | <u>\$ 4,213</u> |
| Business-type Activities | | | |
| Water and Sewer Fund | Customer deposits | | <u>\$38,690</u> |
| Total Restricted Cash | | | <u>\$42,903</u> |

4. Ad Valorem Taxes Receivable

In accordance with state law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1(lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

Inventories of the Town consist of expendable parts and supplies, and are valued at cost (first in, first out), which approximates market.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

7. Capital Assets

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

| | |
|----------------------|-------------|
| Buildings | 15-50 years |
| Other improvements | 10-40 years |
| Automotive equipment | 5 years |
| Other equipment | 5-10 years |
| Infrastructure | 50 years |

8. Compensated Absences

The vacation policy of the Town provides that earned vacation may be accumulated up to a maximum of 40 vacation days. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the vacation is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year had been designated as a current liability in the government-wide financial statements.

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

9. 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 did not have any items that met this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town had two items that meet the criterion for this category - property taxes receivable and prepaid licenses.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

10. Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how the 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 either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

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

Restricted for Care of Hinshaw Gardens – portion of fund balance that is restricted for the maintenance of Hinshaw Gardens.

Restricted for Stabilization by State Statue – portion of fund balance that is restricted by State Statue [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.

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

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

11. Net Position/Fund Balances (Continued)

Fund Balances (Continued)

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already in restricted or committed. The governing body approves the appropriation.

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

Note 2. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the Yadkinville Tourism Development Authority 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 or the Yadkinville Tourism Development Authority's agent in these units' names. 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 and the Yadkinville Tourism Development Authority, these deposits are considered to be held by the Town's and the Yadkinville Tourism Development Authority's agent in their names. 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, the Yadkinville Tourism Development Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Yadkinville Tourism Development Authority 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 and the Yadkinville Tourism Development Authority have 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 and the Yadkinville Tourism Development Authority comply with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2014, the Town's deposits had a carrying amount of \$2,415,609 and a bank balance of \$2,519,777. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totals \$48. At June 30, 2014, the Yadkinville Tourism Development Authority's deposits had a carrying amount and a bank balance of \$54,014. The entire balance was covered by federal depository insurance.

Receivables - Allowances for Doubtful Accounts

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

| | |
|---------------------------------------|------------------|
| General Fund - taxes receivable | \$ 31,982 |
| Enterprise Fund - accounts receivable | <u>1,500</u> |
| | <u>\$ 33,482</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets

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

| <u>Governmental Activities:</u> | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|-------------------|------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,110,231 | \$ 201,512 | \$ - | \$ 1,311,743 |
| Total capital assets not being depreciated | <u>1,110,231</u> | <u>201,512</u> | <u>-</u> | <u>1,311,743</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,563,800 | - | - | 1,563,800 |
| Other improvements | 773,637 | 49,412 | - | 823,049 |
| Automotive equipment | 679,585 | 54,017 | 10,047 | 723,555 |
| Other equipment | 597,024 | 22,754 | - | 619,778 |
| Infrastructure | <u>346,709</u> | <u>123,000</u> | <u>-</u> | <u>469,709</u> |
| | <u>3,960,755</u> | <u>249,183</u> | <u>10,047</u> | <u>4,199,891</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 437,474 | 31,509 | - | 468,983 |
| Other improvements | 185,236 | 34,584 | - | 219,820 |
| Automotive equipment | 518,551 | 61,526 | 10,047 | 570,030 |
| Other equipment | 497,395 | 24,205 | - | 521,600 |
| Infrastructure | <u>31,767</u> | <u>8,164</u> | <u>-</u> | <u>39,931</u> |
| | <u>1,670,423</u> | <u>\$ 159,988</u> | <u>\$ 10,047</u> | <u>1,820,364</u> |
| Capital assets being depreciated, net | <u>2,290,332</u> | | | <u>2,379,527</u> |
| Governmental activity capital assets, net | <u>\$ 3,400,563</u> | | | <u>\$ 3,691,270</u> |

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

| | |
|-------------------------|-------------------|
| General government | \$ 34,119 |
| Public safety | 72,545 |
| Transportation | 18,897 |
| Cultural and recreation | <u>34,427</u> |
| | <u>\$ 159,988</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

| <u>Business Type Activities:</u> <u>Water and Sewer Fund</u> | <u>Beginning</u> <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balances</u> |
|---|-------------------------------------|-------------------|------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,003,196 | \$ - | \$ - | \$ 1,003,196 |
| Construction in progress | <u>10,815</u> | <u>614,727</u> | <u>(625,542)</u> | <u>-</u> |
| Capital assets not being depreciated | <u>1,014,011</u> | <u>614,727</u> | <u>(625,542)</u> | <u>1,003,196</u> |
| Capital assets being depreciated: | | | | |
| Water and sewer system | 21,004,568 | 680,222 | - | 21,684,790 |
| Other equipment | 2,239,101 | 175,204 | - | 2,414,305 |
| Automotive equipment | <u>165,077</u> | <u>-</u> | <u>-</u> | <u>165,077</u> |
| Total assets being depreciated | <u>23,408,746</u> | <u>855,426</u> | <u>-</u> | <u>24,264,172</u> |
| Less accumulated depreciation for: | | | | |
| Water and sewer system | 9,129,534 | 539,733 | - | 9,669,267 |
| Other equipment | 2,036,955 | 58,533 | - | 2,095,488 |
| Automotive equipment | <u>151,967</u> | <u>7,248</u> | <u>-</u> | <u>159,215</u> |
| | <u>11,318,456</u> | <u>\$ 605,514</u> | <u>\$ -</u> | <u>11,923,970</u> |
| Capital assets being depreciated, net | <u>12,090,290</u> | | | <u>12,340,202</u> |
| Business type activity capital assets, net | <u>\$ 13,104,301</u> | | | <u>\$ 13,343,398</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 6.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$118,636, \$109,200, and \$108,607, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

**TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

At June 30, 2014, the Separation Allowance's membership consisted of:

| | |
|--|------------------|
| Retirees receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>13</u> |
| Total | <u><u>13</u></u> |

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

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

The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees not engaged in law enforcement and 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.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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. The town has also elected to contribute an amount equal to five percent of each employee's salary who are not engaged in law enforcement. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Voluntary contributions from employees amounted to \$52,888 for the year ended June 30, 2014. The Town's required contributions for the year ended June 30, 2014 were \$53,452 for employees not engaged in law enforcement and \$27,845 for law enforcement officers.

2. 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 and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred inflows of resources in the General Fund at year-end is comprised of taxes receivable in the amount of \$98,614 and prepaid licenses in the amount of \$7,719.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has property, general liability, auto liability, worker's compensation and employee health coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The Town does not carry flood insurance as the Town limits are not in a designated flood area. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond of \$100,000.

The Town's finance officer also acts as the finance officer for the Yadkinville Tourism Development Authority and is individually bonded for \$50,000.

5. Changes in Long-Term Obligations

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

| <u>Governmental activities</u> | <u>Balance July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2014</u> | <u>Current Portion of Balance</u> |
|-------------------------------------|-------------------------------------|------------------|------------------|--------------------------------------|---|
| Compensated absences | \$ 73,565 | \$ 10,345 | \$ - | \$ 83,910 | \$ 50,241 |
| Installment purchase agreement | <u>513,333</u> | <u>-</u> | <u>46,666</u> | <u>466,667</u> | <u>46,666</u> |
| | 586,898 | 10,345 | 46,666 | 550,577 | 96,907 |
| <u>Business-type activities</u> | | | | | |
| Compensated absences | <u>83,269</u> | <u>-</u> | <u>7,536</u> | <u>75,733</u> | <u>41,689</u> |
| Total long-term obligations | <u>\$ 670,167</u> | <u>\$ 10,345</u> | <u>\$ 54,202</u> | <u>\$ 626,310</u> | <u>\$ 138,596</u> |

In January, 2009, the Town entered into an installment purchase agreement in the amount of \$700,000 to finance the construction of a park. This financing agreement requires semi-annual principal payments of \$23,333 plus interest at 3.79% per annum.

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Changes in Long-Term Obligations (Continued)

Annual debt service requirements to maturity of the installment purchase agreement are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------|-------------------|------------------|
| 2015 | \$ 46,667 | \$ 17,245 |
| 2016 | 46,667 | 15,476 |
| 2017 | 46,667 | 13,707 |
| 2018 | 46,667 | 11,939 |
| 2019 | 46,667 | 10,170 |
| 2020-2024 | <u>233,332</u> | <u>24,319</u> |
| | <u>\$ 466,667</u> | <u>\$ 92,856</u> |

The Town had a legal debt margin of \$19,758,716 at June 30, 2014.

C. Interfund Balances and Activity

Transfers to/from other funds during the year ended June 30, 2014 were as follows:

| <u>Transfer from</u> | <u>Amount</u> | <u>Transfer to</u> | <u>Amount</u> |
|----------------------|-----------------|--------------------|-----------------|
| Trust Fund | \$ 8,403 | General Fund | \$ 8,403 |
| | <u>\$ 8,403</u> | | <u>\$ 8,403</u> |

During the 2014 fiscal year, the Town made transfers amounting to \$8,403 from the Trust Fund to the General Fund for the expenses of Hinshaw Gardens.

D. Net Investment in Capital Assets

| | Governmental | Business-type |
|----------------------------------|---------------------|----------------------|
| Capital Assets | \$ 3,691,270 | \$ 13,343,398 |
| Less: long-term debt | <u>466,667</u> | <u>-</u> |
| Net investment in long-term debt | <u>\$ 3,224,603</u> | <u>\$ 13,343,398</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 2. Detail Notes on All Funds (Continued)

E. 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 | \$1,777,776 |
| Less: | |
| Stabilization by State Statute | 289,721 |
| Streets-Powell Bill | 4,213 |
| Appropriated Fund Balance in 2014 budget | 41,574 |
| Remaining Fund Balance | <u>\$1,442,268</u> |

Note 3. Joint Venture and Jointly Governed Organization

Joint Venture. The Town of Yadkinville, City of Winston-Salem, Village of Clemmons, Town of Kernersville, Town of Lewisville, Town of Oak Ridge and Town of Bermuda Run jointly appoint the nine member Triad Municipal Alcoholic Beverage Control Board, which operates 15 liquor stores in Yadkin County, Forsyth County, Davie County and Guilford County. North Carolina General Statute 18B-805 requires the Triad Municipal Alcoholic Beverage Control Board to distribute its net income to the seven municipalities who appoint the Board and to Forsyth County. During fiscal year 2014, the Town of Yadkinville received \$45,469 distributed net income. The participating governments do not have equity interest in the joint venture. The Town of Yadkinville does not have financial responsibility for the Triad Board and is not held responsible for its debts. Audited financial statements for the Triad Municipal Alcoholic Beverage Control Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

Jointly Governed Organization. The Town, in conjunction with twelve counties and seventy-three other municipalities established the Piedmont Triad Regional Council (PTRC). The participating governments established the PTRC to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the PTRC's governing board. The Town paid membership fees of \$981 to PTRC during the fiscal year ended June 30, 2014.

Note 4. Reconciliation of Powell Bill Expenditures

| | |
|---|-------------------|
| Per financial statements | \$ 225,638 |
| Deduct accounts payable as of June 30, 2014 | (495) |
| Add accounts payable as of June 30, 2013 | <u>4,950</u> |
| Per Powell Bill report | <u>\$ 230,093</u> |

TOWN OF YADKINVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Note 5. Trust Fund

The Town has received contributions from an individual and has assumed responsibility for the maintenance of Hinshaw Gardens, a park within the Town limits. The Town has included this endowment in a trust fund and will use the income from these contributions to assist in the maintenance of the park.

Note 6. Summary of Significant Contingencies

Indemnification Agreement

The Town has entered into a Performance Agreement with a local business and the Rural Economic Development Center, Inc. (Center). The Center has committed \$500,000 in grant funds to be expended by the Town on water and sewer improvements for the benefit of the business. The agreement requires the business to provide a specified minimum number of jobs within certain time limits or the grant or a portion thereof, as specified in the agreement, is to be repaid to the Center by the business.

The Town has also entered into a separate Indemnification Agreement with the business whereby it has agreed to indemnify the business of its obligation to repay the Center should the business not meet the terms of the Performance Agreement. The Town has agreed to reimburse the Center all sums that may be due under the terms of the performance agreement, and to indemnify and hold the business harmless against any and all liabilities, costs and expenses including reasonable attorney fees under the agreement.

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 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 moneys.

**INDIVIDUAL FUND
STATEMENTS AND SCHEDULES SECTION**

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

| | Budget | Actual | Variance Positive (Negative) |
|----------------------------------|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year, net of discounts | \$ | \$ 980,616 | \$ |
| Prior years | | 63,700 | |
| Penalties and interest | | 9,537 | |
| Total | <u>964,788</u> | <u>1,053,853</u> | <u>89,065</u> |
| Other taxes - room occupancy tax | <u>21,475</u> | <u>24,373</u> | <u>2,898</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | | 344,124 | |
| Hold harmless payment | | 21,116 | |
| Telecommunications sales tax | | 34,221 | |
| Utility franchise tax | | 491,762 | |
| Piped natural gas tax | | 5,690 | |
| Video franchise fee | | 18,600 | |
| Solid waste disposal | | 1,660 | |
| Beer and wine tax | | 28,160 | |
| ABC profit distribution | | 45,469 | |
| Tax refunds | | 11,058 | |
| Total | <u>853,300</u> | <u>1,001,860</u> | <u>148,560</u> |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | | 90,339 | |
| Controlled substance tax | | 153 | |
| NC DOT GHSP Grant | | 9,590 | |
| Total | <u>100,690</u> | <u>100,082</u> | <u>(608)</u> |
| Permits and fees: | | | |
| Solid waste fees | | 92,600 | |
| Building permits | | 2,271 | |
| Special events permits | | 225 | |
| Privilege license | | 46,702 | |
| Total | <u>113,205</u> | <u>141,798</u> | <u>28,593</u> |
| Investment earnings | <u>2,400</u> | <u>1,039</u> | <u>(1,361)</u> |
| Other revenues: | | | |
| Parking violations | | 110 | |
| Cablevision fees | | 2,692 | |
| Court costs | | 986 | |
| Non-departmental | | 105,000 | |
| Donation | | 9,000 | |
| Sale of property | | 1,402 | |
| Miscellaneous | | 3,184 | |
| Total | <u>128,240</u> | <u>122,374</u> | <u>(5,866)</u> |
| Total revenues | <u>2,184,098</u> | <u>2,445,379</u> | <u>261,281</u> |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|----------------------------|---------|---------|------------------------------------|
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries | | 40,500 | |
| Employee benefits | | 3,453 | |
| Telephone and postage | | 2,780 | |
| Printing | | 1,168 | |
| Miscellaneous | | 8,264 | |
| Total | 59,131 | 56,165 | 2,966 |
| Administration: | | | |
| Salaries | | 197,344 | |
| Employee benefits | | 71,209 | |
| Professional services | | 35,408 | |
| Training | | 3,266 | |
| Telephone and postage | | 6,572 | |
| Printing | | 62 | |
| Travel | | 1,425 | |
| Safety | | 88 | |
| Maintenance and repairs | | 2,107 | |
| Advertising | | 2,231 | |
| Auto supplies | | 3,184 | |
| Insurance and bonds | | 42,388 | |
| Supplies and materials | | 2,761 | |
| Contract services | | 12,861 | |
| Elections | | 3,178 | |
| Dues and subscriptions | | 6,171 | |
| Other departmental expense | | 331 | |
| Total | 402,753 | 390,586 | 12,167 |
| Planning and zoning: | | | |
| Salaries | | 13,306 | |
| Employee benefits | | 4,637 | |
| Fees | | 1,189 | |
| Professional services | | 3,875 | |
| Training | | 140 | |
| Telephone and postage | | 627 | |
| Advertising | | 706 | |
| Supplies and materials | | 1,318 | |
| Miscellaneous | | 12 | |
| Total | 26,077 | 25,810 | 267 |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-----------|-----------|------------------------------------|
| Public buildings: | | | |
| Utilities | | 12,966 | |
| Maintenance and repairs | | 3,870 | |
| Supplies and materials | | 649 | |
| Contract services | | 5,823 | |
| Miscellaneous | | 800 | |
| Capital outlay | | 234,429 | |
| Total | 259,100 | 258,537 | 563 |
| Special appropriations: | | | |
| Sales taxes | | 6,530 | |
| Bank charges | | 3,454 | |
| Unemployment tax | | 4,700 | |
| Yadkin County Tourism Authority | | 24,373 | |
| Total | 34,907 | 39,057 | (4,150) |
| Total general government | 781,968 | 770,155 | 11,813 |
| Public Safety - Police: | | | |
| Salaries | | 614,486 | |
| Employee benefits | | 230,985 | |
| Professional services | | 300 | |
| Telephone and postage | | 17,217 | |
| Printing | | 486 | |
| Utilities | | 7,854 | |
| Travel | | 194 | |
| Maintenance and repairs | | 15,380 | |
| OSHA safety | | 410 | |
| Automotive supplies | | 39,463 | |
| Supplies and materials | | 13,362 | |
| Uniforms | | 4,276 | |
| Contracted services | | 12,962 | |
| K-9 care | | 825 | |
| Drug buy money | | 1,500 | |
| Miscellaneous | | 1,378 | |
| Capital outlay | | 73,197 | |
| Total public safety | 1,074,170 | 1,034,275 | 39,895 |
| Transportation - Garage: | | | |
| Telephone | | 1,114 | |
| Utilities | | 8,192 | |
| Maintenance and repair | | 1,104 | |
| Supplies and materials | | 1,054 | |
| Contracted services | | 5,018 | |
| Total | 17,300 | 16,482 | 818 |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|--|---------|---------|------------------------------------|
| Transportation - Streets and highways: | | | |
| Salaries | | 78,229 | |
| Employee benefits | | 31,891 | |
| Training | | 390 | |
| Telephone and postage | | 891 | |
| Utilities | | 36,884 | |
| Travel | | 258 | |
| Maintenance and repairs | | 4,780 | |
| OSHA safety | | 1,127 | |
| Automotive supplies | | 8,874 | |
| Supplies and materials | | 3,384 | |
| Uniforms | | 1,531 | |
| Contracted services | | 18,619 | |
| Miscellaneous | | 33 | |
| Capital outlay | | 1,376 | |
| Total | 223,580 | 188,267 | 35,313 |
| Transportation - Powell Bill: | | | |
| Professional services | | 2,352 | |
| Maintenance and repairs | | 49,758 | |
| Automotive supplies | | 9,437 | |
| Supplies and materials | | 1,392 | |
| Miscellaneous | | 3,375 | |
| Paving and resurfacing | | 159,324 | |
| Total | 238,665 | 225,638 | 13,027 |
| Total transportation | 479,545 | 430,387 | 49,158 |
| Environmental protection: | | | |
| Sanitation: | | | |
| Maintenance and repairs | | 226 | |
| Automotive supplies | | 69 | |
| Supplies and materials | | 702 | |
| Contracted services | | 206,076 | |
| Tipping fees | | 1,529 | |
| Total environmental protection | 210,677 | 208,602 | 2,075 |
| Cultural and recreation: | | | |
| Town park: | | | |
| Salaries | | 14,795 | |
| Employee benefits | | 7,004 | |
| Utilities | | 5,544 | |
| Maintenance and repairs | | 4,823 | |
| Supplies and materials | | 1,376 | |
| Contracted services | | 7,665 | |
| Park events | | 770 | |
| Miscellaneous | | 12 | |
| Capital outlay | | 18,694 | |
| Total | 65,029 | 60,683 | 4,346 |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|--|------------------|---------------------|------------------------------------|
| Hinshaw Gardens: | | | |
| Salaries | | 3,648 | |
| Employee benefits | | 279 | |
| Utilities | | 253 | |
| Supplies and materials | | 4,182 | |
| Miscellaneous | | 70 | |
| Total | <u>9,550</u> | <u>8,432</u> | <u>1,118</u> |
| Special appropriations: | | | |
| Yadkin County Library | | 2,500 | |
| Yadkin County ARC | | 400 | |
| Yadkin County YMCA | | 1,000 | |
| Yadkin County Arts Council | | 10,000 | |
| Sports Club | | 2,500 | |
| Downtown Business Association | | 4,000 | |
| Total | <u>20,400</u> | <u>20,400</u> | <u>-</u> |
| Total cultural and recreation | <u>94,979</u> | <u>89,515</u> | <u>5,464</u> |
| Debt Service: | | | |
| Principal retirement | | 46,667 | |
| Interest and other charges | | 19,013 | |
| | <u>67,010</u> | <u>65,680</u> | <u>1,330</u> |
| Total expenditures | <u>2,708,349</u> | <u>2,598,614</u> | <u>109,735</u> |
| Revenues over (under) expenditures | <u>(524,251)</u> | <u>(153,235)</u> | <u>371,016</u> |
| Other financing sources: | | | |
| Transfers from Trust Fund | 9,550 | 8,403 | (1,147) |
| Fund balance appropriated | <u>514,701</u> | <u>-</u> | <u>(514,701)</u> |
| Total other financing sources | <u>524,251</u> | <u>8,403</u> | <u>(515,848)</u> |
| Revenues and other financing sources over expenditures | <u>\$ -</u> | <u>(144,832)</u> | <u>\$ (144,832)</u> |
| Fund balances, beginning | | <u>1,922,608</u> | |
| Fund balances, ending | | <u>\$ 1,777,776</u> | |

**TOWN OF YADKINVILLE, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014.**

| | Hinshaw Gardens Fund | Total Nonmajor Governmental Funds |
|--|-------------------------------------|--|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 81,918 | \$ 81,918 |
| | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 81,918</u> | <u>\$ 81,918</u> |
| LIABILITIES AND FUND BALANCES | | |
| Fund Balances | \$ 81,918 | \$ 81,918 |
| | <u> </u> | <u> </u> |
| | <u>\$ 81,918</u> | <u>\$ 81,918</u> |

**TOWN OF YADKINVILLE, NORTH CAROLINA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014**

| | Hinshaw Gardens Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|-------------------------------------|--|
| REVENUES | | |
| Investment earnings | \$ 90 | \$ 90 |
| Rents | 75 | 75 |
| | 165 | 165 |
| EXPENDITURES | | |
| Total expenditures | - | - |
| | 165 | 165 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer (to) from General Fund | (8,403) | (8,403) |
| | (8,403) | (8,403) |
| Net change in fund balances | (8,238) | (8,238) |
| Fund balances, beginning | 90,156 | 90,156 |
| Fund balances, ending | \$ 81,918 | \$ 81,918 |

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

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Water and sewer charges | \$ | \$ 2,071,275 | \$ |
| Water and sewer taps | | 13,364 | |
| Water reconnection fees and penalties | | 20,157 | |
| Tax refunds | | 16,138 | |
| Sale of materials | | 10,241 | |
| Miscellaneous | | 100 | |
| Total operating revenues | <u>2,178,235</u> | <u>2,131,275</u> | <u>(46,960)</u> |
| Nonoperating revenues: | | | |
| Interest earnings | | 495 | |
| Total nonoperating revenues | <u>740</u> | <u>495</u> | <u>(245)</u> |
| Total revenues | <u>2,178,975</u> | <u>2,131,770</u> | <u>(47,205)</u> |
| Expenditures: | | | |
| Administration: | | | |
| Salaries | | 135,897 | |
| Employee benefits | | 60,299 | |
| Training | | 458 | |
| Telephone and postage | | 7,006 | |
| Printing | | 50 | |
| Maintenance and repairs | | 954 | |
| OSHA safety | | 375 | |
| Automotive supplies | | 2,539 | |
| Supplies and materials | | 3,905 | |
| Uniforms | | 832 | |
| Contracted services | | 5,634 | |
| Miscellaneous | | 194 | |
| Sales tax | | 24,203 | |
| Bank and credit card charges | | 3,107 | |
| Unemployment tax | | 4,490 | |
| Insurance | | 57,648 | |
| Total administration | <u>317,911</u> | <u>307,591</u> | <u>10,320</u> |

(continued)

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------|----------------|----------------|---|
| Water plant: | | | |
| Salaries | | 175,524 | |
| Employee benefits | | 65,521 | |
| Professional services | | 21,544 | |
| Employee training | | 285 | |
| Telephone and postage | | 2,405 | |
| Printing | | 145 | |
| Utilities | | 69,926 | |
| Travel | | 316 | |
| Maintenance and repairs | | 57,437 | |
| OSHA safety | | 949 | |
| Automotive supplies | | 2,822 | |
| Supplies and materials | | 5,994 | |
| Other supplies - chemicals | | 39,843 | |
| Uniforms | | 2,190 | |
| Contracted services | | 27,227 | |
| Permits | | 2,550 | |
| Miscellaneous | | 293 | |
| Other expense | | 1,373 | |
| Total water plant | <u>527,632</u> | <u>476,344</u> | <u>51,288</u> |
| Sewer plant: | | | |
| Salaries | | 71,002 | |
| Employee benefits | | 26,157 | |
| Employee training | | 150 | |
| Telephone and postage | | 1,067 | |
| Printing | | 100 | |
| Utilities | | 87,288 | |
| Travel | | 292 | |
| Maintenance and repairs | | 37,515 | |
| OSHA safety | | 566 | |
| Automotive supplies | | 2,922 | |
| Supplies and materials | | 1,850 | |
| Other supplies - chemicals | | 18,282 | |
| Uniforms | | 1,358 | |
| Contracted services | | 33,103 | |
| Permits | | 6,075 | |
| Miscellaneous | | 410 | |
| Other expense | | 850 | |
| Total sewer plant | <u>301,062</u> | <u>288,987</u> | <u>12,075</u> |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|-----------|-----------|------------------------------------|
| Laboratory: | | | |
| Salaries | | 62,981 | |
| Employee benefits | | 24,606 | |
| Telephone and postage | | 30 | |
| Travel | | 28 | |
| Maintenance and repairs | | 62 | |
| OSHA safety | | 296 | |
| Advertising | | 207 | |
| Automotive supplies | | 705 | |
| Supplies and materials | | 8,427 | |
| Other supplies - chemicals | | 2,155 | |
| Uniforms | | 992 | |
| Contracted services | | 1,506 | |
| Dues and subscriptions | | 25 | |
| Permits | | 1,675 | |
| Miscellaneous | | 12 | |
| Other expense | | 266 | |
| Total laboratory | 113,607 | 103,973 | 9,634 |
| Water/sewer operations: | | | |
| Salaries | | 323,942 | |
| Employee benefits | | 125,195 | |
| Professional services | | 1,763 | |
| Employee training | | 465 | |
| Telephone and postage | | 9,283 | |
| Printing | | 100 | |
| Utilities | | 23,045 | |
| Travel | | 438 | |
| Maintenance and repairs | | 27,030 | |
| OSHA safety | | 2,499 | |
| Automotive supplies | | 18,278 | |
| Supplies and materials | | 40,026 | |
| Uniforms | | 3,843 | |
| Contracted services | | 47,916 | |
| Permits | | 2,560 | |
| Miscellaneous | | 869 | |
| Other expense | | 975 | |
| Total water/sewer operations | 662,458 | 628,227 | 34,231 |
| Non-departmental expenditures | 105,000 | 105,000 | - |
| Capital outlay | 196,482 | 177,884 | 18,598 |
| Total expenditures | 2,224,152 | 2,088,006 | 136,146 |
| Revenue over (under) expenditures | (45,177) | 43,764 | 88,941 |

(continued)

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

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|-----------------|------------------------------------|
| Other financing sources (uses): | | | |
| Transfers to Capital Project Fund | (192,431) | (128,062) | 64,369 |
| Fund Balance appropriated | 237,608 | - | (237,608) |
| Total other financing sources (uses) | 45,177 | (128,062) | (173,239) |
| Revenues and other financing sources over expenditures and other uses | \$ - | \$ (84,298) | \$ (84,298) |

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

| | | |
|--|------------------|--|
| Revenues and other financing sources over expenditures | \$ (84,298) | |
| Reconciling items: | | |
| Capital outlay | 177,884 | |
| Depreciation | (605,514) | |
| Capital contribution | 52,000 | |
| Decrease in accounts receivable, net of allowance for doubtful accounts | (2,439) | |
| Increase in inventory | 3,704 | |
| Decrease in compensated absences | 7,536 | |
| Transfer to capital project fund | 128,062 | |
| Total reconciling items | (238,767) | |
| Decrease in net position | \$ (323,065) | |

TOWN OF YADKINVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECT FUND - RESERVOIR PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR YEAR ENDED JUNE 30, 2014

| | <u>Project Autho- rization</u> | <u>Prior Year</u> | <u>Current Year</u> | <u>Total To Date</u> | <u>Variance Positive (Negative)</u> |
|--|--|-----------------------|-------------------------|--------------------------|---|
| RESERVOIR PROJECT | | | | | |
| EXPENDITURES | | | | | |
| Professional services | \$ 108,280 | \$ 10,815 | \$ 93,394 | \$ 104,209 | \$ 4,071 |
| Reservoir | 531,631 | - | 521,333 | 521,333 | 10,298 |
| Contingency | 50,000 | - | - | - | 50,000 |
| | <u>689,911</u> | <u>10,815</u> | <u>614,727</u> | <u>625,542</u> | <u>64,369</u> |
| Revenue over (under) Expenditures | (689,911) | (10,815) | (614,727) | (625,542) | 64,369 |
| OTHER FINANCING SOURCES | | | | | |
| Transfers from Water and Sewer Fund | <u>689,911</u> | <u>497,480</u> | <u>128,062</u> | <u>625,542</u> | <u>(64,369)</u> |
| Total Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | 486,665 | (486,665) | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | <u>-</u> | <u>486,665</u> | | |
| Fund balance, ending | | <u>\$ 486,665</u> | <u>\$ -</u> | | |

TOWN OF YADKINVILLE, NORTH CAROLINA
COMPONENT UNIT - YADKINVILLE TOURISM DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-----------|-----------|------------------------------------|
| Revenues: | | | |
| Occupancy tax | \$ 20,500 | \$ 24,373 | \$ 3,873 |
| Wine events | 2,300 | 4,449 | 2,149 |
| Total revenues | 22,800 | 28,822 | 6,022 |
| Expenditures: | | | |
| Administration | 926 | 310 | 616 |
| Tourism related programs | 10,292 | 9,365 | 927 |
| Travel and tourism promotion | 20,582 | 19,991 | 591 |
| Insurance | - | 210 | (210) |
| Total expenditures | 31,800 | 29,876 | (1,924) |
| Revenues over (under) expenditures | (9,000) | (1,054) | 7,946 |
| Other financing sources (uses) | | | |
| Fund balance appropriated | 9,000 | - | (9,000) |
| Total other financing sources (uses) | 9,000 | - | (9,000) |
| Net change in fund balances | \$ - | (1,054) | \$ (1,054) |
| Fund balance, beginning | | 58,497 | |
| Fund balance, ending | | \$ 57,443 | |

OTHER SCHEDULES

**TOWN OF YADKINVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014**

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2013</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2014</u> |
|--------------------|--|---------------------|------------------------------------|--|
| 2013-2014 | \$ - | \$ 1,041,530 | \$ 993,089 | \$ 48,441 |
| 2012-2013 | 68,217 | 2,498 | 55,582 | 15,133 |
| 2011-2012 | 14,678 | - | 4,838 | 9,840 |
| 2010-2011 | 6,612 | - | 1,680 | 4,932 |
| 2009-2010 | 5,063 | - | 1,111 | 3,952 |
| 2008-2009 | 4,277 | - | 896 | 3,381 |
| 2007-2008 | 3,619 | - | 116 | 3,503 |
| 2006-2007 | 2,708 | - | - | 2,708 |
| 2005-2006 | 3,241 | - | - | 3,241 |
| 2004-2005 | 3,484 | - | 1 | 3,483 |
| 2003-2004 | 2,887 | - | 2,887 | - |
| | <u>\$ 114,786</u> | <u>\$ 1,044,028</u> | <u>\$ 1,060,200</u> | <u>98,614</u> |

Less: allowance for uncollectible accounts:

General Fund

31,982

Ad valorem taxes receivable - net

\$ 66,632

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 1,053,853

Reconciling items:

Interest collected

(9,537)

Discounts and collection fees

9,204

Adjustments to taxes

3,793

Taxes written off

2,887

Total collections and credits

\$ 1,060,200

**TOWN OF YADKINVILLE NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Town - Wide | | Total Levy | | |
|--|-----------------------|-----------|---------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$ 246,537,467 | \$ 0.0041 | \$ 1,026,677 | \$ 924,382 | \$ 102,295 |
| Motor vehicles taxed at prior year's rate | 7,288,248 | 0.0041 | 14,009 | - | 14,009 |
| Penalty | | | 844 | 844 | - |
| | 253,825,715 | | 1,041,530 | 925,226 | 116,304 |
| Discoveries: | | | | | |
| Current year taxes | 1,793,679 | | 7,831 | 7,300 | 531 |
| Abatements | (2,802,110) | | (11,510) | (10,253) | (1,257) |
| Total property valuation | \$ 252,817,284 | | | | |
| Net levy | | | 1,037,851 | 922,273 | 115,578 |
| Uncollected taxes at June 30, 2014 | | | (48,441) | (42,530) | (5,911) |
| Current year's taxes collected | | | \$ 989,410 | \$ 879,743 | \$ 109,667 |
| Current levy collection percentage | | | 95.33% | 95.39% | 94.89% |

COMPLIANCE SECTION

**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 Board of Commissioners
Town of Yadkinville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregated remaining fund information of the Town of Yadkinville, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Yadkinville's basic financial statements, and have issued our report thereon dated October 25, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 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 Yadkinville'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.

Cannon & Company, L.L.P.
October 25, 2014

TOWN OF YADKINVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No

- Significant deficiency identified
that is not considered to be a
material weakness Yes No

Noncompliance material to financial
statements noted Yes No

Section II. Financial Statement Findings

None reported.

Section III- Federal Awards Findings and Questioned Costs

Not applicable.

Section IV. State Award Findings and Questioned Costs

Not applicable.

TOWN OF YADKINVILLE, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2014**

Section II. Financial Statement Findings

Not applicable.

Section III. Federal Award Findings and Questioned Costs

Not applicable.

Section IV. State Award Findings and Questioned Costs

Not applicable.

TOWN OF YADKINVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014

Section II. Financial Statement Findings

None Reported.

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

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Fed. (Direct & Pass-through) Expenditures | State Expenditures | Local Expenditures |
|---|------------------------------------|---|--|-------------------------------|-------------------------------|
| State Grants: | | | | | |
| Cash Assistance: | | | | | |
| N.C. Department of Transportation: | | | | | |
| | | | \$ - | \$ 120,492 | \$ - |
| | | | - | 120,492 | - |
| | | Total assistance - State programs | <u>-</u> | <u>120,492</u> | <u>-</u> |
| | | | <u>\$ -</u> | <u>\$ 120,492</u> | <u>\$ -</u> |

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Yadkinville and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.