

Town of Haw River
Financial Statements
June 30, 2015

**Town of Haw River
North Carolina**

June 30, 2015

Town Council Members

Buddy Boggs, Mayor

Kelly Allen, Mayor Pro-Tem

Jeff Fogleman

H. Lee Lovette

Ashley Warren

Administrative and Financial Staff

Jeffrey Earp, Town Manager/Finance Officer

Melanie Eveker, Assistant Finance Officer

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Financial Section

Winston, Williams, Creech, Evans, & Company, LLP

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America Counts on CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of Haw River, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Haw River, North Carolina as of June 30, 2015, and respective

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding and Progress and Schedules of Employer Contributions, on pages 8-18 and 56-59, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 60 and 61 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Haw River, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates 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, based on our audit, the procedures as detailed above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the Town of Haw River's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, North Carolina
October 30, 2015

Management's Discussion and Analysis

Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

As management of the Town of Haw River, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Haw River for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Haw River *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,985,495 (*net position*).
- The government's total net position *increased* by \$283,848, due to an *increase* in the governmental activities net position and *increase* in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Haw River's governmental funds reported combined ending fund balances of \$1,597,171 with a net change of \$139,944 in fund balance. Approximately 56.27 percent of this total amount, or \$898,711, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$649,412, or 36.73 percent of total general fund expenditures for the fiscal year.
- The Town of Haw River's total debt decreased by \$76,307 (7.42%) during the current fiscal year. The key factors in this decrease was principle payments made during the year and no new debt.

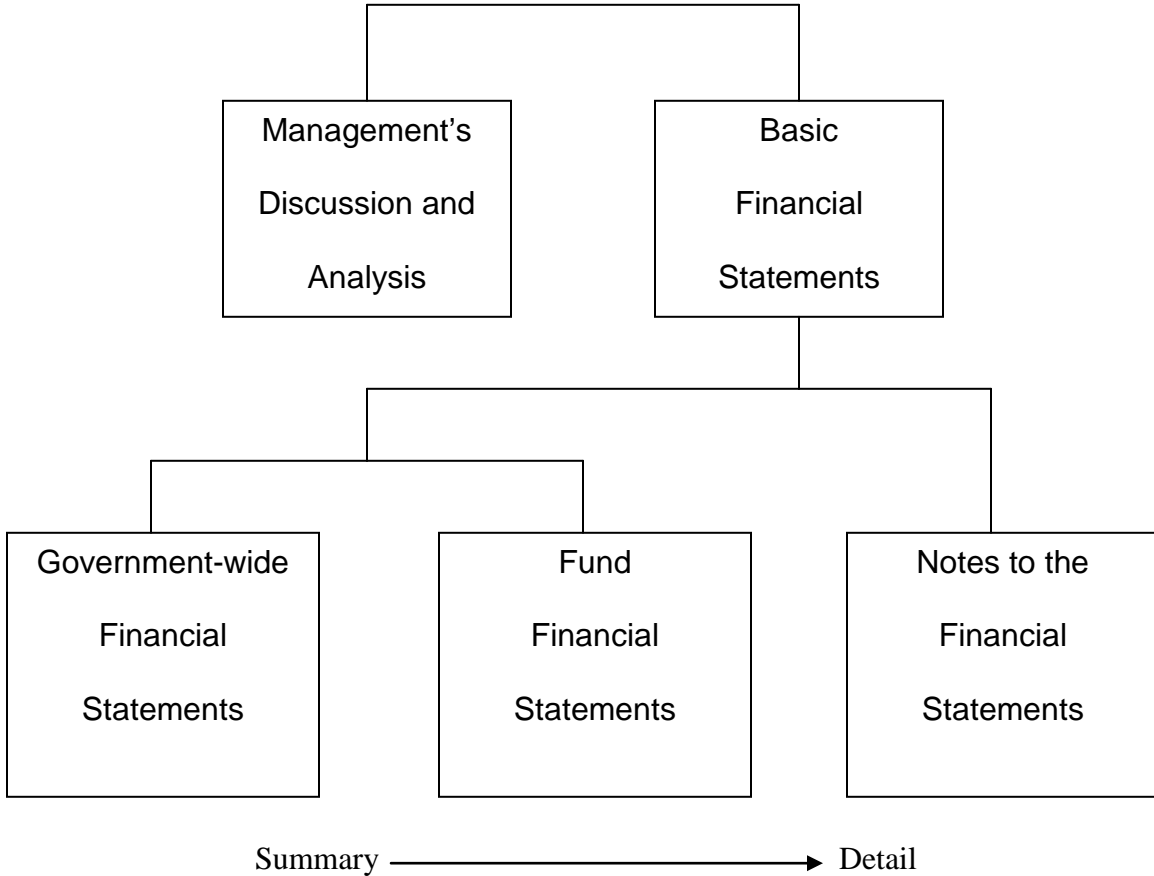
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town'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 Haw River.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and stormwater 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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 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.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

The Town 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 town council 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 town council; 2) the final budget as amended by the town council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Haw River has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Haw River uses enterprise funds to account for its water and sewer activity and its stormwater 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 begin on page 32 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of Haw River's progress in funding its obligation to provide pension benefits to its law enforcement employees. Additionally, this report includes certain supplementary information concerning the Town of Haw River's progress in funding its obligation to provide retirement healthcare benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Government-Wide Financial Analysis

Town of Haw River's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,671,506	\$ 1,543,213	\$ 1,257,606	\$ 984,728	\$ 2,929,112	\$ 2,527,941
Net pension asset	73,600	-	18,400	-	92,000	-
Capital assets	1,476,838	1,533,663	4,176,171	4,348,582	5,653,009	5,882,245
Deferred outflows of resources	53,028	-	13,076	-	66,104	-
Total assets and deferred outflows of resources	<u>3,274,972</u>	<u>3,076,876</u>	<u>5,465,253</u>	<u>5,333,310</u>	<u>8,740,225</u>	<u>8,410,186</u>
Long-term liabilities outstanding	410,254	560,330	817,276	846,929	1,227,530	1,407,259
Other liabilities	146,355	25,183	148,927	142,536	295,282	167,719
Deferred inflows of resources	187,334	8,741	44,584	-	231,918	8,741
Total liabilities and deferred inflows of resources	<u>743,943</u>	<u>594,254</u>	<u>1,010,787</u>	<u>989,465</u>	<u>1,754,730</u>	<u>1,583,719</u>
Net position:						
Net investment in capital assets related debt	1,286,141	1,278,659	3,414,171	3,574,582	4,700,312	4,853,241
Restricted	898,711	899,724	32,955	33,285	931,666	933,009
Unrestricted	346,177	304,239	1,007,340	735,978	1,353,517	1,040,217
Total net position	<u>\$ 2,531,029</u>	<u>\$ 2,482,622</u>	<u>\$ 4,454,466</u>	<u>\$ 4,343,845</u>	<u>\$ 6,958,495</u>	<u>\$ 6,826,467</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Haw River exceeded liabilities by \$6,958,495 as of June 30, 2015. The Town's net position increased by \$283,848 for the fiscal year ended June 30, 2015. However, the largest portion (67.55%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Haw River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Haw River's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$931,666, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,353,517 is unrestricted. Also, the Town of Haw River implemented GASB statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by 124,820. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Haw River's management.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

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

- Increased charges for services revenues in the Water and Sewer Fund of approximately \$43,662.
- Increased collection of NC Tax and Tag motor vehicle taxes during the current year due to change of collection process.
- Continued diligence in the collection of property taxes by maintaining a positive tax collection percentage of 98.05%, which is healthier compared to the statewide average of 96.05% for similar-sized municipalities.

**Town of Haw River's Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 463,708	\$ 544,656	\$ 1,862,911	\$ 1,819,371	\$ 2,326,619	\$ 2,364,027
Operating grants and contributions	31,039	14,296	-	-	31,039	14,296
Capital grants and contributions	2,500	-	-	-	2,500	-
General revenues:						
Property taxes	716,752	728,246	-	-	716,752	728,246
Other taxes	12,893	19,954	-	-	12,893	19,954
Grants and contributions not restricted to specific programs	670,773	652,170	-	-	670,773	652,170
Other	2,765	3,211	-	-	2,765	3,211
Investment earnings	1,084	1,019	95	36	1,179	1,055
Total revenues	1,901,514	1,963,552	1,863,006	1,819,407	3,764,520	3,782,959
Expenses:						
General government	345,970	331,523	-	-	345,970	331,523
Public safety	925,838	975,128	-	-	925,838	975,128
Transportation	192,586	233,979	-	-	192,586	233,979
Environmental protection	108,768	144,805	-	-	108,768	144,805
Culture and recreation	171,106	161,921	-	-	171,106	161,921
Interest on long-term debt	8,983	11,401	-	-	8,983	11,401
Water and sewer	-	-	1,760,880	1,865,898	1,760,880	1,865,898
Stormwater	-	-	14,765	14,162	14,765	14,162
Total expenses	1,753,251	1,858,757	1,775,645	1,880,060	3,528,896	3,738,817
Increase (decrease) in net position before transfers	148,263	104,795	135,585	(60,653)	283,848	44,142
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	148,263	104,795	135,585	(60,653)	283,848	44,142
Net position, July 1	2,482,622	2,377,827	4,343,845	4,404,498	6,826,467	6,782,325
Net position, restated	2,382,766	-	4,318,881	-	6,701,647	-
Net position, June 30	\$ 2,531,029	\$ 2,482,622	\$ 4,454,466	\$ 4,343,845	\$ 6,985,495	\$ 6,826,467

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Governmental activities. Governmental activities increased the Town's net position by \$148,263, thereby accounting for the total increase in net position of the Town of Haw River. Key elements of this increase are as follows:

- General Government expenses decreased \$14,447.
- Transportation total expenses decreased \$41,393.

Business-type activities: Business-type activities increased the Town's net position by \$135,585, accounting for the total decrease in net position of the Town of Haw River. Key elements of this increase are as follows:

- Water and sewer revenues increased by \$43,662 and expenses decreased by \$105,018.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Haw River's governmental funds is to provide such information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Haw River's financing requirements.

The general fund is the chief operating fund of the Town of Haw River. At the end of the current fiscal year, Town of Haw River's fund balance available in the General Fund was \$649,412, while total fund balance reached \$1,597,171. The Town currently has an available fund balance of 36.73 percent of total General Fund expenditures, while total fund balance represents 90.32 percent of that same amount.

At June 30, 2015, the governmental funds of Town of Haw River reported a combined fund balance of \$1,597,171 with a net increase in fund balance of \$139,944.

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.

Revenues were lower than budgeted amounts primarily due to a combination of lower than anticipated utilities franchise tax and sales and use tax as well as an unused budgeted fund balance appropriation. Expenditures were lower than budgeted amounts due to management's efforts to reduce departmental spending in order to mitigate the effects of reduced revenues on the budget.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

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 Fund at the end of the fiscal year amounted to \$926,177, and those for the Stormwater Fund amounted to \$81,163. Net position increased in the Water and Sewer Fund by \$127,715 and net position in the Stormwater Fund increased by \$7,870 in the current fiscal year. The change in net position of the Water and Sewer Fund is a result of less inflow costs of water than experienced in the prior year. The change in net position of the Stormwater Fund is a result of operating revenues exceeding related expenses for the current operation of this program.

Capital Asset and Debt Administration

Capital assets. The Town of Haw River's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$5,653,009 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following:

- Land acquisition in General Government \$10,000.
- Police building upgrade and storage building totaling \$45,195.
- Maintenance building HVAC unit \$5,000.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 167,968	\$ 157,968	\$ 1,040	\$ 1,040	\$ 157,968	\$ 157,968
Construction in progress	-	-	-	-	-	-
Buildings	233,915	209,771	-	-	233,915	209,771
Infrastructure	637,217	667,119	-	-	637,217	667,119
Equipment	117,362	148,115	-	-	117,362	148,115
Vehicles	320,376	350,690	-	-	320,376	350,690
Plant and distribution systems	-	-	4,175,131	4,347,542	4,175,131	4,347,542
Total	\$ 1,476,838	\$ 1,533,663	\$ 4,176,171	\$ 4,348,582	\$ 5,653,009	\$ 5,882,245

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

Long-term Debt. As of June 30, 2015, the Town had total installment purchase obligations outstanding of \$190,697.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

**General Obligation and Bonds
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Installment purchase obligations	\$ 190,697	\$ 255,004	\$ -	\$ -	\$ 190,697	\$ 255,004
Revenue Bonds	-	-	762,000	774,000	762,000	774,000
Total	\$ 190,697	\$ 255,004	\$ 762,000	\$ 774,000	\$ 952,697	\$ 1,029,004

Town of Haw River's Outstanding Debt

The Town's total debt decreased by \$76,307 during the past fiscal year due to principal paid by the Town on its debt obligations.

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 the government's boundaries. The legal debt margin for the Town of Haw River is \$10,873,648.

Additional information regarding the Town of Haw River's long-term debt can be found in note II.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the current economic conditions faced by the Town.

- State Legislative changes to broaden items and services subject to sales tax have resulted in a growth in sales tax revenues of approximately 17% distributed to the Town. Small growth projections are predicted again for the coming year.
- State Legislative changes that repealed the ability of the town to enact privileged license fees have reduced revenues by approximately \$20,000 for fiscal year 2015-2016.
- Continued increase (3%) in water and sewer rates assessed by the City of Burlington. The Water and Sewer fund also will be affected by the loss of The Town of Green Level as a sewer customer, this will reduce revenues by approximately \$175,000.

**Town of Haw River
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

- With the implementation of the Affordable Healthcare Act, the Town is concerned about the effect this will continue to have on major medical premiums. We continue to have increases and plan changes driven by the legislation that adversely affect the Town and its employees.
- Continued low interest rates hinder the Town's earnings on its investments.
- We have had to continually address increases in operational expenses without corresponding increases in operational revenues.
- The Town is facing challenges due to the aging workforce and the OBEP cost associated with retirees and their benefits.
- The Town will be focusing in the coming year on re-development of old mill property located off main street, there will be a feasibility study and targeted development of that property.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: There are several challenges faced by management when preparing for the fiscal year ending June 30, 2016. We had to deal with the loss of privilege license revenue. We also experienced increases in health insurance, worker's compensation insurance and property and liability insurance and operational cost. We were very pleased to see an increase in Sales & Use Tax that helped offset some of the increases. We were able to hold our ad-valorem tax rate at .48/100 dollar evaluation.

Business – type Activities: The water and sewer rates in the Town will increase by 3% due to a 3% increase in rates charged to the Town by the City of Burlington. The Water and Sewer fund also will be affected by the loss of The Town of Green Level as a sewer customer; this will reduce revenues by approximately \$175,000. This reduction in revenues resulted in the town having to RIF one employee in the department. The budget allows for maintenance and repair costs, and addresses almost none of the capital purchases needed. Storm Water fees and the Storm Water Fund's overall budget are to increase just over 2% of current year levels.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Haw River, 403 East Main Street, Haw River, NC 27258.

Basic Financial Statements

Government-Wide Financial Statements

Town of Haw River, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 887,806	\$ 1,023,756	\$ 1,911,562
Taxes receivable (net)	40,197	-	40,197
Accrued interest receivable on taxes	8,788	-	8,788
Accounts receivable (net)	12,085	185,495	197,580
Due from other governments	187,614	-	187,614
Prepaid items	11,066	1,785	12,851
Restricted cash and cash equivalents	523,950	46,570	570,520
Total current assets	1,671,506	1,257,606	2,929,112
Non-current assets:			
Net Pension Asset	73,600	18,400	92,000
Capital assets:			
Land, non-depreciable improvements and construction in progress	167,968	1,040	169,008
Other capital assets, net of depreciation	1,308,870	4,175,131	5,484,001
Total capital assets	1,476,838	4,176,171	5,653,009
Total assets	\$ 3,221,944	\$ 5,452,177	\$ 8,674,121
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	53,028	13,076	66,104
Total deferred outflows of resources	53,028	13,076	66,104
LIABILITIES			
Current liabilities:			
Accounts payable	17,659	83,062	100,721
Accrued interest payable	2,749	1,688	4,437
Customer deposits	-	46,570	46,570
Current portion of long-term liabilities	125,947	17,607	143,554
Total current liabilities	146,355	148,927	295,282
Long-term liabilities:			
Due in more than one year	410,254	817,276	1,227,530
Total liabilities	556,609	966,203	1,522,812
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	179,643	44,584	224,227
Unearned Revenue	7,691	-	7,691
Total deferred inflows of resources	187,334	44,584	231,918
NET POSITION			
Net Investment in capital assets	1,286,141	3,414,171	4,700,312
Restricted for:			
General Government	46,312	-	46,312
Transportation	426,060	-	426,060
Public safety	167,223	-	167,223
Cultural and recreation	59,317	-	59,317
Stabilization by State Statute	199,799	-	199,799
USDA	-	32,955	32,955
Unrestricted	346,177	1,007,340	1,353,517
Total net position	\$ 2,531,029	\$ 4,454,466	\$ 6,985,495

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

Town of Haw River, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 345,970	\$ 13,707	\$ -	\$ -	\$ (332,263)	\$ -	\$ (332,263)
Public safety	925,838	281,284	21,212	-	(623,342)	-	(623,342)
Transportation	192,586	62,322	-	-	(130,264)	-	(130,264)
Environmental protection	108,768	98,695	1,473	-	(8,600)	-	(8,600)
Cultural and recreation	171,106	7,700	8,354	2,500	(152,552)	-	(152,552)
Interest on long-term debt	8,983	-	-	-	(8,983)	-	(8,983)
Total governmental activities (See Note 1)	1,753,251	463,708	31,039	2,500	(1,256,004)	-	(1,256,004)
Business-type activities:							
Water and sewer	1,760,880	1,840,276	-	48,224	-	127,620	127,620
Stormwater	14,765	22,635	-	-	-	7,870	7,870
Total business-type activities	1,775,645	1,862,911	-	48,224	-	135,490	135,490
Total primary government	\$ 3,528,896	\$ 2,326,619	\$ 31,039	\$ 50,724	(1,256,004)	135,490	(1,120,514)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					716,752	-	716,752
Other taxes					12,893	-	12,893
Grants and contributions not restricted to specific programs					670,773	-	670,773
Unrestricted investment earnings					1,084	95	1,179
Miscellaneous					2,765	-	2,765
Total general revenues not including transfers					1,404,267	95	1,404,362
Transfers					-	-	-
Total general revenues and transfers					1,404,267	95	1,404,362
Change in net position					148,263	135,585	283,848
Net position, beginning, previously reported					2,482,622	4,343,845	6,826,467
Restatement					(99,856)	(24,964)	(124,820)
Net Position, beginning, restated					2,382,766	4,318,881	6,701,647
Net position, ending					\$ 2,531,029	\$ 4,454,466	\$ 6,985,495

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

Fund Financial Statements

Town of Haw River, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund	Total
	General	Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 887,806	\$ 887,806
Restricted cash	523,950	523,950
Receivables, net		
Taxes	20,321	20,321
Fire district levy	19,876	19,876
Accounts	12,085	12,085
Prepaid items	11,066	11,066
Due from other governments	187,614	187,614
Due from other funds	-	-
Total assets	<u>1,662,718</u>	<u>1,662,718</u>
LIABILITIES		
Accounts payable and accrued liabilities	17,659	17,659
Due to other funds	-	-
Total liabilities	<u>17,659</u>	<u>17,659</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	7,691	7,691
Property taxes receivable	20,321	20,321
Fire District taxes receivable	19,876	19,876
Total deferred inflows of resources	<u>47,888</u>	<u>47,888</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	199,799	199,799
General Government	46,312	46,312
Transportation	426,060	426,060
Public Safety	167,223	167,223
Cultural and Recreation	59,317	59,317
Assigned		
Subsequent year's expenditures	49,048	49,048
Unassigned	649,412	649,412
Total fund balances	<u>1,597,171</u>	<u>1,597,171</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,662,718</u>	

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

Town of Haw River, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds	1,597,171	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 4,471,331	
Accumulated depreciation	<u>(2,994,493)</u>	1,476,838
Net pension asset		73,600
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		53,028
Other long-term assets (accrued interest receivable from taxes) are not due and payable in the current-period expenditures and therefore are not reported in the funds.		
		8,788
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
		40,197
Pension related deferrals		(179,643)
Some liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(538,950)</u>
Net Position of governmental activities		<u>\$ 2,531,029</u>

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

Town of Haw River, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Fund	Total
	General Fund	Governmental Funds
REVENUES		
Ad valorem taxes	\$ 728,980	\$ 728,980
Other taxes and licenses	12,893	12,893
Unrestricted intergovernmental	670,773	670,773
Restricted intergovernmental	364,231	364,231
Sales and services	119,340	119,340
Investment earnings	1,084	1,084
Miscellaneous	11,011	11,011
Total revenues	1,908,312	1,908,312
EXPENDITURES		
Current:		
General government	333,712	333,712
Public safety	934,281	934,281
Transportation	160,276	160,276
Environmental protection	104,058	104,058
Cultural and recreation	162,041	162,041
Debt service:		
Principal and interest	74,000	74,000
Total expenditures	1,768,368	1,768,368
Excess (deficiency) of revenues over expenditures	139,944	139,944
OTHER FINANCING SOURCES (USES)		
Transfers to other funds	-	-
Transfers from other funds	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	139,944	139,944
Fund balances, beginning	1,457,227	1,457,227
Fund balances, ending	\$ 1,597,171	\$ 1,597,171

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

Town of Haw River, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$	139,944
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	60,195	
Depreciation expense for governmental assets	<u>(117,020)</u>	(56,825)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		53,028
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(6,172)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	64,307	
Decrease in accrued interest payable	<u>256</u>	64,563
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	2,805	
Pension expense	(6,096)	
Net pension obligation	7,905	
Other postemployment benefits	<u>(50,889)</u>	(46,275)
Total changes in net position of governmental activities	\$	<u>148,263</u>

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

Town of Haw River, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 692,000	\$ 692,000	\$ 728,980	\$ 36,980
Other taxes and licenses	19,665	19,665	12,893	(6,772)
Unrestricted intergovernmental	608,200	608,200	670,773	62,573
Restricted intergovernmental	544,450	555,450	364,231	(191,219)
Sales and services	118,000	118,000	119,340	1,340
Investment earnings	1,725	1,725	1,084	(641)
Miscellaneous	8,000	10,650	11,011	361
Total revenues	1,992,040	2,005,690	1,908,312	(97,378)
Expenditures:				
Current:				
General government	350,763	361,263	333,712	27,551
Public safety	953,521	973,258	934,281	38,977
Transportation	419,182	419,182	160,276	258,906
Environmental protection	105,500	105,500	104,058	1,442
Cultural and recreation	163,474	166,124	162,041	4,083
Debt service:				
Principal and interest	74,100	74,100	74,000	100
Total expenditures	2,066,540	2,099,427	1,768,368	331,059
Revenues over (under) expenditures	(74,500)	(93,737)	139,944	233,681
Other financing sources (uses):				
Transfers to other funds:				
Grant Project Fund	-	-	-	-
Enterprise Fund	-	-	-	-
Sale of capital assets	2,500	2,500	-	(2,500)
Total other financing sources (uses)	2,500	2,500	-	(2,500)
Fund balance appropriated	72,000	91,237	-	91,237
Net change in fund balance	\$ -	\$ -	139,944	\$ 139,944
Fund balance, beginning			1,457,227	
Fund balance, ending			\$ 1,597,171	

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

Town of Haw River, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

	Major Enterprise Fund Water and Sewer Fund	Non-Major Enterprise Fund Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 944,031	\$ 79,725	\$ 1,023,756
Restricted cash	46,570	-	46,570
Accounts receivable (net)	183,641	1,854	185,495
Prepaid items	1,785	-	1,785
Due from other funds	-	-	-
Total current assets	1,176,027	81,579	1,257,606
Noncurrent assets:			
Net pension asset	18,400	-	18,400
Capital assets:			
Land and construction in progress	1,040	-	1,040
Other capital assets, net of depreciation	4,175,131	-	4,175,131
Total noncurrent assets	4,176,171	-	4,176,171
Total assets	5,370,598	81,579	5,452,177
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	13,076	-	13,076
Total deferred outflows of resources	13,076	-	13,076
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	84,334	416	84,750
Customer deposits	46,570	-	46,570
Compensated absences - current	5,607	-	5,607
Bond Anticipation Notes - current	12,000	-	12,000
Total current liabilities	148,511	416	148,927
Noncurrent liabilities:			
Other non-current liabilities:			
Other postemployment benefits	59,843	-	59,843
Compensated absences	7,433	-	7,433
Revenue Bonds - noncurrent	750,000	-	750,000
Total noncurrent liabilities	817,276	-	817,276
Total liabilities	965,787	416	966,203
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	44,584	-	44,584
Total deferred inflows of resources	44,584	-	44,584
NET POSITION			
Net Investment in capital assets	3,414,171	-	3,414,171
Restricted - USDA	32,955	-	32,955
Unrestricted	926,177	81,163	1,007,340
Total net position	\$ 4,373,303	\$ 81,163	\$ 4,454,466

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

Town of Haw River, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Major Enterprise Fund	Non-Major Enterprise Fund	Total
	Water and Sewer Fund	Stormwater Fund	
OPERATING REVENUES			
Charges for services	\$ 1,812,197	\$ -	\$ 1,812,197
Taps and connection fees	5,750	-	5,750
Other operating revenues	22,329	22,635	44,964
Total operating revenues	1,840,276	22,635	1,862,911
OPERATING EXPENSES			
Administration	137,334	-	137,334
Water distribution	679,865	-	679,865
Sewer collection	750,012	-	750,012
Stormwater	-	14,765	14,765
Depreciation	172,411	-	172,411
Total operating expenses	1,739,622	14,765	1,754,387
Operating income (loss)	100,654	7,870	108,524
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	95	-	95
Interest and other charges	(21,258)	-	(21,258)
Total nonoperating revenues (expenses)	(21,163)	-	(21,163)
Income (loss) before contributions and transfers	79,491	7,870	87,361
Capital Contributions	48,224	-	48,224
Transfers to other funds	-	-	-
Change in Net Position	127,715	7,870	135,585
Total Net Position, beginning, as previously reported	4,270,552	73,293	4,343,845
Restatement	(24,964)	-	(24,964)
Total Net Position, restated	4,245,588	73,293	4,318,881
Total Net Position, ending	\$ 4,373,303	\$ 81,163	\$ 4,454,466

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

Town of Haw River, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Major	Non-Major	Total
	Enterprise Fund Water and Sewer Fund	Enterprise Fund Stormwater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,817,947	\$ 22,630	\$ 1,840,577
Cash paid for goods and services	(1,300,276)	(14,738)	(1,315,014)
Cash paid to or on behalf of employees for services	(325,070)	-	(325,070)
Customer deposits (net)	3,994	-	3,994
Other operating revenues	22,329	-	22,329
Net cash provided (used) by operating activities	<u>218,924</u>	<u>7,892</u>	<u>226,816</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in Due from other funds	-	-	-
Transfers from other funds	-	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	-	-
Capital Contributions- State Grant	48,224	-	-
Principal paid on installment purchase obligations	(12,000)	-	(12,000)
Interest paid on long-term debt	(21,285)	-	(21,285)
Net cash provided (used) by capital and related financing activities	<u>14,939</u>	<u>-</u>	<u>(33,285)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	95	-	95
Net increase (decrease) in cash and cash equivalents	233,958	7,892	241,850
Balances, beginning	756,643	71,833	828,476
Balances, ending	<u>\$ 990,601</u>	<u>\$ 79,725</u>	<u>\$ 1,070,326</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating Income	\$ 100,654	\$ 7,870	\$ 108,524
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	172,411	-	172,411
Pension Expense	1,219	-	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(31,425)	(5)	(31,430)
Increase (decrease) in allowance for doubtful accounts	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(15,237)	27	(15,210)
Decrease in prepaid items	402	-	402
Increase in customer deposits	3,994	-	3,994
Decrease in accrued interest	27	-	27
Decrease in accrued vacation payable	(2,705)	-	(2,705)
(Increase) decrease in deferred outflows of resources for pens	(13,076)	-	(13,076)
Increase in OPEB liability	2,659	-	2,659
Total adjustments	<u>118,270</u>	<u>22</u>	<u>118,292</u>
Net cash provided by operating activities	<u>\$ 218,924</u>	<u>\$ 7,892</u>	<u>\$ 226,816</u>

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

Notes to the Financial Statements

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Haw River (“the Town”) 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 is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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 major enterprise fund:

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

The Town reports the following non-major enterprise fund:

Stormwater Fund. This fund is used to account for the Town’s stormwater program operations.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

C. Measurement Focus and Basis of Accounting

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

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

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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expense for the enterprise funds includes 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Haw River because the tax is levied by Alamance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 Funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Grant Projects Special Revenue Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$ 1,000. All amendments must be approved by the governing board or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a7) 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.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Monies donated to the Town by the Haw River Civic Center Association Inc. are classified as restricted cash because they can only be expended for maintenance, upkeep and enhancement of the Haw River Civic Center Building per the terms of the agreement with the donor organization. Federal forfeiture funds are also classified as restricted cash because it can be expended only for activities to enhance future investigation; law enforcement training, equipment and operations; detention facilities; law enforcement facilities and equipment; and drug education and awareness programs per 21 U.S.C. 881 (e)(1)(A) and (e)(3), 18 U.S.C. 981 (e)(2), and 19 U.S.C. 1616a.. State authorized substance tax funds are classified as restricted cash because it can be expended only for activities to enhance the Town's police department's ability to

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deter and investigate crimes, especially drug offenses per G.S. 105-113.105 through 105-113-113.

Haw River Restricted Cash

Governmental Activities			
General Fund	Public Safety	\$	38,572
	Cultural and Recreation		59,317
	Transportation		426,060
Total Governmental Activities			<u>\$ 523,950</u>
Business-type Activities			
Water and Sewer Fund	Customer Deposits	\$	46,570
Total Business-type Activities			<u>\$ 46,570</u>
Total Restricted Cash			<u>\$ 570,520</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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that 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. Inventory and Prepaid Items

The Town's General Fund and Water and Sewer Fund inventories consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software and computer equipment \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Haw River, North Carolina
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Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40
Plant and Distribution System	40
Infrastructure	40
Equipment and Furniture	5-10
Vehicles	5

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for General Government – Hold harmless monies received by the Town restricted by the Board for capital outlay purposes in the future.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for law enforcement activities expenditures as well as fire department capital reserve monies from a percentage of the fire tax.

Restricted for Parks and Recreation – portion of fund balance that is restricted by a donor organization for maintenance, upkeep and enhancement of the Haw River Civic Center Building.

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

Assigned fund balance – portion of fund balance that Town of Haw River 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 classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to transfer amounts up to \$1,000 between functional areas including contingency appropriations, within the same fund.

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

The Town of Haw River has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds,

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local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, the expenditures made by the Town of Haw River's General Fund exceeded authorized appropriations made by the Public Safety due to implementation of GASB 68 financial reporting for firefighters' and rescue squad workers' pension fund by \$701. The Water and Sewer Fund exceeded the authorized appropriations made by the Water Sewer Administration department by \$2,349. This over-expenditure is a result of accrued liabilities recorded at year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of \$738,005 and a bank balance of \$772,541. 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, 2015, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2015, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Certificate of Deposit – Vantage South Bank	\$ 100,000	February 1, 2016	N/A
Certificate of Deposit – Vantage South Bank	100,000	February 28, 2016	N/A
NC Capital Management Trust – Cash Portfolio	<u>1,543,753</u>	N/A	AAAm
Total:	<u>\$ 1,743,753</u>		

Interest Rate Risk. The Town does not have a formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2015.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2015 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 15,330
Fire Districts levy receivable	<u>13,250</u>
Total	28,580
Enterprise Funds:	
Accounts receivable	<u>1,965</u>
Total	<u>\$ 30,545</u>

4. Capital Assets

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 157,968	\$ 10,000	\$ -	\$ 167,968
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>157,968</u>	<u>10,000</u>	<u>-</u>	<u>167,968</u>

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Capital assets being depreciated:				
Buildings	777,759	45,195	-	822,954
Equipment	1,452,732	5,000	-	1,457,732
Infrastructure	1,301,968	-	-	1,301,968
Vehicles	720,709	-	-	720,709
Total capital assets being depreciated	<u>4,253,168</u>	<u>50,195</u>	-	<u>4,303,363</u>
Less accumulated depreciation for:				
Buildings and improvements	567,988	21,051	-	589,039
Equipment, furniture and fixtures	1,304,617	35,753	-	1,340,370
Infrastructure	634,849	29,902	-	664,751
Vehicles	370,019	30,314	-	400,333
Total accumulated depreciation	<u>2,877,473</u>	<u>\$ 117,020</u>	<u>\$ -</u>	<u>2,994,493</u>
Total capital assets being depreciated, net	<u>1,375,695</u>			<u>1,308,870</u>
Governmental activity capital assets, net	<u>\$ 1,533,663</u>			<u>\$ 1,476,838</u>

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

General government	\$ 23,467
Public safety	56,222
Transportation	28,999
Recreation	3,622
Environmental protection	<u>4,710</u>
Total depreciation expense	<u>\$ 117,020</u>

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 1,040	\$ -	\$ -	\$ 1,040
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,040</u>	-	-	<u>1,040</u>
Capital assets being depreciated:				
Plant and distribution systems	8,314,828	-	-	8,314,828
Equipment and furniture	193,978	-	-	193,978
Vehicles	32,192	-	-	32,192
Total capital assets being depreciated	<u>8,540,998</u>	-	-	<u>8,540,998</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,981,224	168,123	-	4,149,347
Equipment and furniture	193,978	-	-	193,978
Vehicles	18,254	4,288	-	22,542
Total accumulated depreciation	<u>4,193,456</u>	<u>\$ 172,411</u>	<u>\$ -</u>	<u>4,365,867</u>
Total capital assets being depreciated, net	<u>4,347,542</u>			<u>4,175,131</u>
Business-type activities capital assets, net	<u>\$ 4,348,582</u>			<u>\$ 4,176,171</u>

Town of Haw River, North Carolina
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B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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 7.41%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Haw River are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2015, 2014, and 2013 were \$64,795, \$62,013, and \$56,033, respectively. The contributions made by the Town equaled the required contributions for each year.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Haw River employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Haw River's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for

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law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Haw River were \$64,795 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$92,000 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town’s proportion was 0.029%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$6,096. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,053
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	214,174
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,309	-
Town contributions subsequent to the measurement date	64,795	-
TOTAL	\$ 66,104	\$ 224,227

\$66,104 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (55,735)
2017	(55,735)
2018	(55,735)
2019	<u>(55,713)</u>
Total	<u><u>\$(222,918)</u></u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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

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

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 312,289	\$ (92,000)	\$ (432,399)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	8
Total	10

A separate report was not issued for the plan.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures 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 fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 33,326
Interest on net pension obligation	2,466
Adjustment to annual required contribution	<u>(4,167)</u>
Annual pension cost	31,625
Contributions made	<u>39,530</u>
Increase (decrease) in net pension obligation	(7,905)
Net pension obligation beginning of year	<u>49,328</u>
Net pension obligation end of year	<u>\$ 41,423</u>

Three Year Trend Information

For the Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	26,224	150.74%	63,003
2014	25,855	152.89%	49,328
2015	31,625	125.00%	41,423

4. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) was \$293,578. The covered payroll (annual payroll of active employees covered by the plan) was \$335,972, and the ratio of the UAAL to the covered payroll was 87.38 percent.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$16,768, which consisted of \$16,528 from the Town and \$240 from the law enforcement officers.

The Town has also elected to have all of its other employees who are members of the Local Governmental Employees' Retirement System participate in the Supplemental Retirement Income Plan. The Town contributes 5% for non-law enforcement officers, and employees may make voluntary contributions to the plan. Contributions for non-law enforcement officers for the year ended June 30, 2015 were \$28,250 which consisted of \$24,190 from the Town and \$4,060 from the employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Haw River, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town has elected to contribute the required \$10 per month to

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015**

the Fund on behalf of each plan member. Total contributions from the Town for the year ended June 30, 2015 were \$3,400. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$21,417. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$8,052 and revenue of \$8,052 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015**

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan), health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of credible service with the Town. The Town obtains health care coverage through private insurers. The Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently, two retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2015, the Town made payments of \$43,391 for postretirement health premiums.

The Town's contribution to the cost of coverage for eligible retirees is based on the following schedule:

The Town will pay the percentage of premium for coverage for employees hired before August 1, 2010 based on the following schedule:

<u>Years of Service At Retirement</u>	<u>Town Contribution</u>
20 or more	100 %
15-19	93.75%
10-14	75%
5-9	43.75%

The Town will pay the percentage of premium for coverage for employees hired on or after August 1, 2010 based on the following schedule:

<u>Years of Service At Retirement</u>	<u>Town Contribution</u>
30 or more	100 %
25-29	93.75%
20-24	75%

Employees with five or more years of Town service who retire under disability will have 100% of the health plan premium paid by the Town.

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

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	2	3
Active plan members	14	8
Total	16	11

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

The current ARC rate is 9.67% of annual covered payroll. For the current year, the Town contributed \$43,391 or 4.99% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Annual required contribution	\$ 96,927
Interest on net OPEB obligation	6,972
Adjustment to annual required contribution	<u>(6,660)</u>
Annual OPEB cost (expense)	96,939
Contributions made	<u>(43,391)</u>
Increase (decrease) in net OPEB obligation	53,548
Net OPEB obligation, beginning of year	<u>220,346</u>
Net OPEB obligation, end of year	<u><u>\$ 273,894</u></u>

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

For Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 96,939	52.5%	\$ 273,894
2014	\$ 96,939	52.5%	\$ 220,346
2013	\$ 77,448	74.8%	\$ 174,291

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,027,331. The covered payroll (annual payroll of active employees covered by the plan) was \$868,779, and the ratio of the UAAL to the covered payroll was 118.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the

**Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015**

valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

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 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 month's 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 cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current year	\$ <u>66,104</u>
Total	\$ 66,104

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

Source	Amount
Prepaid privilege licenses (General Fund)	\$ 7,691
Pension deferrals	<u>224,227</u>
Total	\$231,918

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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has blanket coverage up to \$5 million in flood insurance as long as it is in NFIP Flood Map Zones B, C, and X; outside of these zones, there is no coverage. There is a \$50,000 deductible.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, town clerk and other employees are each individually bonded for \$50,000 each.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2015, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchases

Governmental Activities:

In February 2009, the Town entered into an installment purchase contract to finance a Fire Engine. The financing contract requires 10 annual payments of \$47,574 beginning in fiscal year 2010 with an interest rate of 4.15%.

Annual debt service payments of the installment purchase as of June 30, 2015, including \$18,217 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	40,433	7,141
2017	42,110	5,464
2018	43,858	3,716
2019	<u>46,304</u>	<u>1,896</u>
Total	<u>\$ 172,705</u>	<u>\$ 18,217</u>

In March 2012, the Town entered into an installment purchase contract to finance two police cars. The financing contract requires 4 annual payments of \$18,375 beginning in fiscal year 2013 with an interest rate of 2.13%.

Annual debt service payments of the installment purchase as of June 30, 2015, including \$393 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>17,992</u>	<u>383</u>
Total	<u>\$ 17,992</u>	<u>\$ 383</u>

Business-type Activities:

b. Revenue Bond

\$774,000 Water and Sewer Revenue Bond, Series 2012 issued for water and sewer system improvements. Principle installments are due annually on June 1, beginning June 2015 with annual interest payments beginning June 2013, at an annual interest rate of 2.75%.

\$ 762,000

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	12,000	20,955
2017	12,000	20,625
2018	13,000	20,295
2019	13,000	19,938
2020	14,000	19,580
2021-thereafter	<u>698,000</u>	<u>360,827</u>
Total	<u>\$ 762,000</u>	<u>\$ 462,220</u>

The Town of Haw River is in compliance with the covenants as to rates, fees, rentals and charges in the Section 3.1 Bond Order, authorizing the issuance of the Water and Sewer Revenue bonds, series 2012. Section 3.1 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2015, is as follows:

Operating revenues	\$ 1,840,276
Operating expenses*	<u>1,567,211</u>
Operating income	273,065
Nonoperating revenues (expenses)**	<u>95</u>
Income available for debt service	273,160
Debt service, principal and interest paid (Revenue bond only)	\$ <u>33,285</u>
Debt service coverage ratio	822%

*Per rate covenants, this does not include the depreciation expense of \$172,411.

**Per rate covenants, this does not include revenue bond interest paid of \$21,258.

b. Changes in Long-Term Liabilities

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Portion</u>
					<u>of Balance</u>
Governmental activities:					
Installment purchases	\$ 255,004	\$ -	\$ 64,307	\$ 190,697	\$ 58,424
Compensated absences	92,835	-	2,805	90,030	67,523
Net pension obligation	49,328	-	7,905	41,423	-
Other postemployment benefits	163,162	50,889	-	214,051	-
Net pension liability (LGERS)	149,468	-	149,468	-	-
Governmental activity long-term liabilities	<u>\$ 709,796</u>	<u>\$ 50,889</u>	<u>\$ 224,485</u>	<u>\$ 536,201</u>	<u>\$ 125,947</u>
Business-type activities:					
Revenue Bonds	\$ 774,000	\$ -	\$ 12,000	\$ 762,000	\$ 12,000
Compensated absences	15,746	-	2,706	13,040	5,607
Other postemployment benefits	57,183	2,660	-	59,843	-
Net pension liability (LGERS)	37,367	-	37,367	-	-
Business-type activity long-term liabilities	<u>\$ 884,296</u>	<u>\$ 2,660</u>	<u>\$ 52,073</u>	<u>\$ 834,883</u>	<u>\$ 17,607</u>

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

At June 30, 2015, the Town of Haw River had bonds authorized but unissued of \$774,000 and a legal debt margin of \$10,873,648.

Town of Haw River, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,476,838	\$ 4,176,171
Less: Long-term debt	190,697	762,000
Add: Unexpended debt proceeds	-	-
Net investment in capital assets	\$ 1,286,141	\$ 3,414,171

D. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$1,597,171</i>
Less:	
Stabilization by State Statute	199,799
General Government	46,312
Streets-Powell Bill	426,060
Public Safety	167,223
Cultural and Recreation	59,317
Appropriated Fund Balance in 2016 budget	49,048
Remaining Fund Balance	649,412

IV. Jointly Governed Organization

The Town, in conjunction with six counties and thirty-eight other municipalities established the Piedmont Triad Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2015.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Significant Effects of Subsequent Events

Events Occurring After Reporting Date

The company has evaluated events and transactions that occurred between June 30, 2015 and October 30, 2015 which is the date the financial statements were available to be issued, for possible recognitions or disclosure in the financial statements.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$99,856 and \$24,964, respectively.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan

Town of Haw River, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12/31/05	-	\$61,260	\$61,260	0%	\$314,454	19.5%
12/31/06	-	\$156,971	\$156,971	0%	\$271,955	57.7%
12/31/07	-	\$168,301	\$168,301	0%	\$313,174	53.7%
12/31/08	-	\$182,193	\$182,193	0%	\$334,114	54.5%
12/31/09	-	\$224,269	\$224,269	0%	\$341,204	65.7%
12/31/10	-	\$222,091	\$222,091	0%	\$342,986	64.8%
12/31/11	-	\$274,909	\$274,909	0%	\$350,444	78.4%
12/31/12	-	\$323,508	\$323,508	0%	\$302,402	106.9%
12/31/13	-	\$308,093	\$308,093	0%	\$315,357	97.7%
12/31/14	-	\$293,578	\$293,578	0%	\$335,972	87.4%

Town of Haw River, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$16,302	88.1%
2010	\$18,277	80.2%
2011	\$20,506	71.5%
2012	\$22,001	63.7%
2013	\$27,158	101.1%
2014	\$27,838	145.6%
2015	\$33,326	118.6%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

Town of Haw River, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2013	-	\$ 1,027,331	\$ 1,027,331	0%	\$ 868,779	118.2%
12/31/2010	-	\$ 1,036,951	\$ 1,036,951	0%	\$ 852,065	121.7%
12/31/2009	-	\$ 803,110	\$ 803,110	0%	\$ 866,834	92.6%

**Town of Haw River, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	\$96,627	44.9%
2014	\$96,627	52.7%
2013	\$77,336	74.9%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions	
Investment Rate of Return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of Ultimate trend rate	2019
*Includes inflation at	3.00%

Town of Haw River, North Carolina
Town of Haw River's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years*

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Haw River's proportion of the net pension liability (asset) (%)	-0.02%	0.02%
Haw River's proportion of the net pension liability (asset) (\$)	\$ (92,000)	\$ 186,835
Haw River's covered-employee payroll	900,346	818,701
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.218%	22.82%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	94.35%

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

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

**Town of Haw River, North Carolina
Town of Haw River's Contributions
Required Supplementary Information
Last Two Fiscal Years**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 64,795	\$ 62,013
Contributions in relation to the contractually required contribution	<u>64,795</u>	<u>62,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Haw River's covered-employee payroll	900,346	818,701
Contributions as a percentage of covered- employee payroll	7.20%	7.57%

Town of Haw River, North Carolina
Town of Haw River's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years*

Firefighters' and Rescue Squad Workers' Pension

	<u>2015</u>
Haw River's proportion of the net pension liability (asset) (%)	0.00000%
Haw River's proportion of the net pension liability (asset) (\$)	\$ -
State's proportionate share of the net pension liability associated with the Town of Haw River	8,052
	<u>\$ 8,052</u>
Haw River's covered-employee payroll	\$ 154,476
Haw River's proportionate share of the net pension liability as percentage of its covered-employee payroll	5.21%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

* The amounts presented for fiscal year ending June 30, 2015 were determined as of June 30, 2014.

Individual Fund Schedules

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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

	Original Budget	Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes:				
Current year	\$ 658,000	\$ 658,000	\$ 695,956	
Prior years	25,000	25,000	22,058	
Penalties and interest	9,000	9,000	10,966	
Total	<u>\$ 692,000</u>	<u>\$ 692,000</u>	<u>728,980</u>	<u>\$ 36,980</u>
Other taxes and licenses:				
Motor vehicle licenses	65	65	82	
Privilege licenses	19,600	19,600	12,811	
Total	<u>19,665</u>	<u>19,665</u>	<u>12,893</u>	<u>(6,772)</u>
Unrestricted intergovernmental:				
Local option sales taxes	388,000	388,000	421,490	
Hold harmless distribution	70,000	70,000	75,736	
Utility franchise tax	138,000	138,000	162,525	
Franchise fees	2,200	2,200	-	
Beer and wine tax	10,000	10,000	11,022	
Total	<u>608,200</u>	<u>608,200</u>	<u>670,773</u>	<u>62,573</u>
Restricted intergovernmental:				
Powell Bill allocation	63,000	63,000	62,322	
Alamance County fire district tax	275,250	275,250	273,232	
Federal grants	200,000	211,000	18,549	
On-behalf payments - Fire and Rescue	-	-	8,052	
Equitable share of Federally forfeited property	3,500	3,500	-	
Unauthorized substance tax	1,250	1,250	603	
Solid waste disposal tax	1,450	1,450	1,473	
Total	<u>544,450</u>	<u>555,450</u>	<u>364,231</u>	<u>(191,219)</u>
Sales and services:				
Rentals	10,400	10,400	13,707	
Recreation department fees	8,500	8,500	6,938	
Refuse collection fees	99,100	99,100	98,695	
Total	<u>118,000</u>	<u>118,000</u>	<u>119,340</u>	<u>1,340</u>

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

	Original Budget	Budget	Actual	Variance Positive (Negative)
Investment earnings	1,725	1,725	1,084	(641)
Miscellaneous:				
Police Department	2,500	2,500	1,914	
Park donations	1,500	4,150	3,686	
Recreation Grant	-	-	2,500	
Fire department	500	500	146	
Other revenues	3,500	3,500	2,765	
Total	8,000	10,650	11,011	361
Total revenues	1,992,040	2,005,690	1,908,312	(97,378)
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits	10,350	10,350	10,335	
Other operating expenditures	5,100	5,600	4,507	
Total	15,450	15,950	14,842	1,108
Administration:				
Salaries and employee benefits	111,689	111,689	111,256	
Maintenance	3,000	1,500	442	
Other operating expenditures	69,400	70,900	63,829	
Capital outlay	9,279	19,279	19,168	
Total	193,368	203,368	194,695	8,673
Public buildings:				
Other operating expenditures	36,500	37,923	33,427	
Capital improvements	25,000	23,577	19,903	
Total	61,500	61,500	53,330	8,170
Non-departmental:				
Insurance and bonds	63,876	63,876	56,276	7,600

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

	Original Budget	Budget	Actual	Variance Positive (Negative)
Special appropriations:				
Elections	2,000	2,000	-	2,000
Cemetery association	1,000	1,000	1,000	-
Animal shelter	13,569	13,569	13,569	-
Total	16,569	16,569	14,569	2,000
Total general government	350,763	361,263	333,712	27,551
Public safety:				
Police:				
Salaries and employee benefits	536,877	539,615	547,347	
Vehicle maintenance	28,000	23,009	22,158	
Other operating expenditures	46,850	71,166	66,660	
Capital outlay	4,000	1,674	-	
Total	615,727	635,464	636,165	(701)
Fire:				
Salaries and employee benefits	264,665	263,591	258,240	
Vehicle maintenance	21,000	22,000	18,301	
Other operating expenditures	47,129	47,203	17,639	
Capital outlay	5,000	5,000	3,936	
Total	337,794	337,794	298,116	39,678
Total public safety	953,521	973,258	934,281	38,977
Transportation:				
Streets and highways:				
Salaries and employee benefits	110,432	112,927	112,100	
Vehicle maintenance	7,250	6,250	5,701	
Street Lights	22,000	22,000	21,704	
Contracted services	54,000	53,924	3,555	
Other operating expenditures	19,500	19,081	11,566	
Capital outlay	206,000	205,000	5,650	
Total transportation	419,182	419,182	160,276	258,906

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

	Original Budget	Budget	Actual	Variance Positive (Negative)
Environmental protection:				
Solid waste:				
Contracted services	105,500	105,500	104,058	
Total environmental protection	105,500	105,500	104,058	1,442
Culture and recreation:				
Parks and recreation:				
Salaries and employee benefits	111,368	110,514	110,238	
Vehicle maintenance	4,300	3,670	3,389	
Other operating expenditures	47,806	51,940	48,414	
Capital outlay	-	-	-	
Total culture and recreation	163,474	166,124	162,041	4,083
Debt Service:				
Principal			64,306	
Interest			9,694	
Total debt service	74,100	74,100	74,000	100
Total expenditures	2,066,540	2,099,427	1,768,368	331,059
Revenues over (under) expenditures	(74,500)	(93,737)	139,944	233,681
Other financing sources (uses):				
Transfers to/from other funds:				
Grant Project Fund	-	-	-	-
Enterprise Fund	-	-	-	-
Sales of capital assets	2,500	2,500	-	(2,500)
Total	2,500	2,500	-	(2,500)
Fund balance appropriated	72,000	91,237	-	(91,237)
Net change in fund balance	\$ -	\$ -	139,944	\$ 139,944
Fund balances, beginning			1,457,227	
Fund balances, ending			\$ 1,597,171	

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund – This fund is used to account for the Town’s water and sewer operations.

Water and Sewer Capital Project Fund- This fund is use to account for the Town’s water and sewer capital project operations.

Stormwater Fund – This fund is used to account for the Town’s stormwater program operations.

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

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Charges for services:			
Water sales	\$ 897,520	\$ 897,062	\$ (458)
Sewer charges	884,000	913,935	29,935
Surcharges	1,200	1,200	-
Total	<u>1,782,720</u>	<u>1,812,197</u>	<u>29,477</u>
Taps and connection fees	7,000	5,750	(1,250)
Other operating revenues	26,500	22,329	(4,171)
Total operating revenues	<u>1,816,220</u>	<u>1,840,276</u>	<u>24,056</u>
Nonoperating revenues:			
Interest earnings	50	95	45
Total revenues	<u>1,816,270</u>	<u>1,840,371</u>	<u>24,101</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	93,035	105,136	(12,101)
Supplies and materials	1,500	829	671
Contracted services	4,000	3,887	113
Other operating expenses	30,335	26,390	3,945
Capital outlay	9,200	4,177	5,023
Total water and sewer administration	<u>138,070</u>	<u>140,419</u>	<u>(2,349)</u>
Water distribution:			
Salaries and employee benefits	60,065	59,965	100
Supplies	11,400	5,444	5,956
Maintenance	2,000	1,960	40
Water purchased for resale	634,400	596,284	38,116
Other operating expenditures	23,414	18,277	5,137
Capital outlay	-	-	-
Total water distribution	<u>731,279</u>	<u>681,930</u>	<u>49,349</u>

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

	Budget	Actual	Variance Positive (Negative)
Sewer collection system:			
Salaries and employee benefits	111,766	111,745	21
Supplies	9,500	3,708	5,792
Maintenance	19,000	9,789	9,211
Purchase of sewer service	667,680	541,519	126,161
Other operating expenditures	65,132	41,779	23,353
Capital outlay	24,000	-	24,000
Total sewer collection system	<u>897,078</u>	<u>708,540</u>	<u>188,538</u>
Debt Service:			
Principal and interest	37,500	33,285	4,215
Total expenditures	<u>1,803,927</u>	<u>1,564,174</u>	<u>239,753</u>
Revenues over (under) expenditures	12,343	276,197	263,854
Other financing sources (uses):			
Appropriated Fund Balance	-	-	-
Revenues and other sources over expenditures and other uses:	<u>\$ 12,343</u>	<u>\$ 276,197</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		276,197	
Reconciling Items:			
Principal retirement		12,000	
Capital Outlay		-	
Decrease in bond interest accrued		27	
Decrease in accrued vacation pay		2,705	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		13,076	
Pension expense		(1,219)	
Increase in accrued OPEB liability		(2,659)	
Depreciation		(172,411)	
Total reconciling items		<u>(148,482)</u>	
Change in Net Position		<u>\$ 127,715</u>	

Town of Haw River, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the fiscal year ended June 30, 2015

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues- Sewer Rehabilitation					
NC DENR grant	\$ 1,025,325	\$ -	\$ 48,224	\$ 48,224	\$ 977,101
Total	1,025,325	-	48,224	48,224	977,101
Expenditures- Sewer					
Engineering	39,400	-	10,206	10,206	29,194
Construction	788,815	-	-	-	788,815
Land Surveying	19,700	-	18,095	18,095	1,605
Closing Fees	20,110	-	-	-	20,110
Admin/Observation	39,400	-	-	-	39,400
Grant/Loan Admin	39,400	-	18,405	18,405	20,995
Contingency	78,500	-	1,518	1,518	76,982
Total	1,025,325	-	48,224	48,224	977,101
Revenues under expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Stormwater fees	\$ 22,500	\$ 22,635	\$ 135
Total operating revenues	22,500	22,635	135
Total revenues	22,500	22,635	135
Expenditures:			
Stormwater expenditures	22,500	14,765	7,735
Total expenditures	22,500	14,765	7,735
Revenues over (under) expenditures	-	7,870	7,870
Other financing sources:			
Transfers from other funds:			
General Fund	-	-	-
Revenues over expenditures and other financing sources	\$ -	7,870	\$ 7,870
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:		-	
Change in net position		\$ 7,870	

Other Schedules

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 711,369	\$ 697,502	\$ 13,867
2013-2014	23,462		16,584	6,878
2012-2013	8,295		4,159	4,136
2011-2012	3,070		843	2,227
2010-2011	1,607		90	1,517
2009-2010	1,390		100	1,290
2008-2009	1,884		134	1,750
2007-2008	1,558		24	1,534
2006-2007	1,442		273	1,169
2005-2006	1,376		93	1,283
2004-2005	1,248		1,248	-
Total	\$ 45,332	\$ 711,369	\$ 721,050	35,651

Less allowance for uncollectible ad valorem taxes receivable 15,330

Ad valorem taxes receivable - net \$ 20,321

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 728,980
Reconciling items:	
Interest collected	(9,178)
Taxes written off	1,248
Subtotal	<u>(7,930)</u>
Total collections and credits	<u>\$ 721,050</u>

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

	Town - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	Excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current	\$ 147,975,773	0.48	\$ 710,284	\$ 642,409	\$ 67,874
Penalties	-		1,788	1,788	
Total	<u>147,975,773</u>		<u>712,072</u>	<u>644,197</u>	<u>67,874</u>
Discoveries:					
Current year taxes	225,208	0.48	1,081	1,081	-
Penalties			-	-	-
Abatements	<u>(371,667)</u>		<u>(1,784)</u>	<u>(1,784)</u>	-
Total Property Valuation	<u>\$ 147,829,314</u>		<u>711,369</u>	<u>643,494</u>	<u>67,874</u>
Uncollected taxes at June 30, 2015			<u>13,867</u>	<u>13,543</u>	<u>324</u>
Current year's taxes collected			<u>\$ 697,502</u>	<u>\$ 629,951</u>	<u>\$ 67,550</u>
Current levy collection percentage			98.05%	97.90%	99.52%

Compliance Section

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
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Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Honorable Mayor and Town Council
Town of Haw River, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Haw River, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Haw River's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Haw River'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 Haw River's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [15-1]

Compliance and Other Matters

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

Town of Haw River's Response to Findings

The Town of Haw River's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, North Carolina
October 30, 2015

**TOWN OF HAW RIVER, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal Control Over State Programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant Deficiency(s) identified that are not considered to be material weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to state awards	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Type of auditors' report issued on compliance for major state program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
--	------------------------------	--

Identification of major state Programs:

None

B. Financial Statement Findings

15-1 Segregation of Duties

Material Weakness

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled and not be detected.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of segregation of duties. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will provide additional oversight.

**TOWN OF HAW RIVER, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal Control Over State Programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant Deficiency(s) identified that are not considered to be material weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to state awards	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Type of auditors' report issued on compliance for major state program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major state Programs:

None

B. Financial Statement Findings

15-1 Segregation of Duties

Material Weakness

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled and not be detected.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of segregation of duties. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will provide additional oversight.