

TOWN OF RHODHISS
RHODHISS, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2016

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

TOWN OF RHODHISS
TOWN OFFICIALS
JUNE 30, 2016

MAYOR

Rick Justice

BOARD OF ALDERMEN

Mike Phillips

Allen Spencer

Rachel Pace

Dean Isenhour

INTERIM TOWN MANAGER

Barbara Harmon

Town of Rhodhiss, North Carolina
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June 30, 2016

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FINANCIAL SECTION

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Honorable Mayor and Board of Alderman
Town of Rhodhiss
Rhodhiss, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rhodhiss, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Rhodhiss's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rhodhiss

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, of the Town of Rhodhiss, North Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 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 Town of Rhodhiss's basic financial statements. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Rhodhiss

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund financial statements, budgetary schedules and other schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016 on our consideration of the Town of Rhodhiss's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rhodhiss's internal control over financial reporting and compliance.



S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
July 28, 2016

TOWN OF RHODHISS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rhodhiss's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Rhodhiss exceeded its liabilities at the close of the fiscal year by \$3 584 070 (*net position*).
- The government's net position increased by \$131 836 primarily due to increases in net income of governmental activities.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$263 288, or 47 percent of total general fund expenditures for the fiscal year.
- Town of Rhodhiss's total long term debt decreased by \$4 570 or 1 percent during the current fiscal year. The key factor in this decrease was the payment of principal with no additional borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's government, reporting the Town's operations in *more detail* than the government-wide statements.
 - The *government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short and long term* financial information about the activities the government operates *like businesses*, such as the water and sewer operation.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
MAJOR FEATURES OF TOWN OF RHODHISS'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary or fiduciary, such as general government and transportation	Activities the Town operates similar to private businesses: the water and sewer operations
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position—the difference between the Town's total assets and total liabilities—is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's *net position* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* - Most of the Town's basic services are included here, such as administration and transportation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer activities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds*-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes.

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the Town's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.

Notes to the financial statements provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Also included in this section are budgetary comparison statements for all major governmental funds.

Net position

Net position may serve over time as a useful indicator of a government's financial position. In the case of Town of Rhodhiss, assets exceeded liabilities by \$3 584 070 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 580 443	\$ 647 107	\$ 363 047	\$ 387 234	\$ 943 490	\$1 034 341
Capital Assets	373 161	182 995	2 376 306	2 354 982	2 749 467	2 537 977
Total Assets	953 604	830 102	2 739 353	2 742 216	3 692 957	3 572 318
Long-Term Debt Outstanding			63 980	68 550	63 980	68 550
Other Liabilities	14 876	23 681	30 031	27 853	44 907	51 534
Total Liabilities	14 876	23 681	94 011	96 403	108 887	120 084
Net Position:						
Net Investment in Capital						
Assets	373 161	182 995	2 312 326	2 286 432	2 685 487	2 469 427
Restricted	99 754	115 153			99 754	115 153
Unrestricted	465 813	508 273	333 016	359 381	798 829	867 654
Total Net Position	\$ 938 728	\$ 806 421	\$2 645 342	\$2 645 813	\$ 3 584 070	3 452 234

The largest portion of net position (75%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Town of Rhodhiss uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Town of Rhodhiss's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

The Town's total revenues were \$983 828 at June 30, 2016 (see Table 2). Charges for services made up 27% of revenues. Property taxes and other taxes made up 23% and 22% of revenues respectively. The Town's expenses cover a range of services with 43% of those expenses being related to water and sewer.

TABLE 2
CHANGE IN NET POSITION

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$	\$	\$ 266 174	\$ 268 951	\$ 266 174	\$ 268 951
Capital Grants	76 975	40 700	97 989		174 964	40 700
Operating Grants and Contributions	40 596	8 369			40 596	8 369
General Revenues:						
Property Taxes	221 952	231 900			221 952	231 900
Other Taxes	215 378	205 546			215 378	205 546
Other	64 420	47 940	344	734	64 764	48 674
Total Revenues	<u>619 321</u>	<u>534 455</u>	<u>364 507</u>	<u>269 685</u>	<u>983 828</u>	<u>804 140</u>
<u>Expenses</u>						
General Government	171 486	167 382			171 486	167 382
Public Safety	90 745	85 240			90 745	85 240
Environment Protection	171 692	120 995			171 692	120 995
Transportation	51 978	29 554			51 978	29 554
Cultural and Recreational	1 113	5 730			1 113	5 730
Water and Sewer			364 978	300 587	364 978	300 587
Total Expenses	<u>487 014</u>	<u>408 901</u>	<u>364 978</u>	<u>300 587</u>	<u>851 992</u>	<u>709 488</u>
Increase (Decrease) in Net Position	132 307	125 554	(471)	(30 902)	131 836	94 652
Net Position, July 1	<u>806 421</u>	<u>680 867</u>	<u>2 645 813</u>	<u>2 676 715</u>	<u>3 452 234</u>	<u>3 357 582</u>
Net Position, June 30	<u>\$ 938 728</u>	<u>\$ 806 421</u>	<u>\$2 645 342</u>	<u>\$2 645 813</u>	<u>\$3 584 070</u>	<u>\$3 452 234</u>

Table 3 presents the cost of each of the Town's five largest programs- general government, public safety, environmental protection, transportation and cultural and recreational as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$487 thousand.
- However, the amount that our taxpayers paid for these activities through Town taxes was \$369 thousand. Some of the cost was paid by:
 - Other governments and organizations that subsidized certain programs with grants and contributions (118 thousand).
- The Town paid for the \$369 thousand "public benefit" portion with \$437 thousand in taxes, and with other revenues such as interest and miscellaneous revenues.

TABLE 3
NET COST OF TOWN OF RHODISS'S GOVERNMENTAL ACTIVITIES
(In Thousands of Dollars)

	Total Cost of Services		Net Cost of Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Government	\$ 171	\$ 167	\$ 171	\$ 167
Public Safety	91	85	86	85
Environmental Protection	172	121	172	121
Transportation	52	30	16	(11)
Cultural and Recreational	<u>1</u>	<u>6</u>	<u>(76)</u>	<u>(2)</u>
Total	<u>\$ 487</u>	<u>409</u>	<u>\$ 369</u>	<u>\$ 360</u>

Business-type Activities

Revenues of the Town's business-type activities totaled \$364 507 with expenses totaling \$364 978 (see Table 2). This produced a deficit of \$471.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of Town of Rhodhiss's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Town of Rhodhiss's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Town of Rhodhiss. At the end of the current fiscal year, available fund balance of the General Fund was \$263 288 while total fund balance was \$464 568. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 47 percent of total General Fund expenditures, while total fund balance represents 87 percent of that same amount.

At June 30, 2016, the governmental funds of Town of Rhodhiss reported a total fund balance of \$561 346. Approximately 19 percent of this amount or \$107 271 is nonspendable or restricted. The net change in fund balance was \$(55 144).

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 service. Total amendments changed the General Fund's total budget by \$25 000.

Proprietary Funds. Town of Rhodhiss'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 was \$333 016.

Capital Asset and Debt Administration

Capital assets. Town of Rhodhiss's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$2 749 467 (net of accumulated depreciation). These assets include land, buildings, equipment, vehicles, distribution systems and infrastructure.

Major capital asset transactions during the year include:

- Construction in Progress - Horseshoe Trail Park
- Mower
- Land - Park Avenue Property

Town of Rhodhiss's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 89 567	\$ 49 852	\$	\$	\$ 89 567	\$ 49 852
Construction in Progress	162 306	30 904	97 989		260 295	30 904
Buildings	56 500	58 778			56 500	58 778
Equipment	43 789	21 750	21 674	364	65 463	22 114
Distribution System Infrastructure	20 999	21 711	2 256 643	2 354 618	2 256 643	2 354 618
Total	<u>\$ 373 161</u>	<u>\$ 182 995</u>	<u>\$2 376 306</u>	<u>\$2 354 982</u>	<u>\$2 749 467</u>	<u>\$2 537 977</u>

Long-term Debt. As of June 30, 2016, Town of Rhodhiss had the following long term debt outstanding.

Town of Rhodhiss's Outstanding Debt
All Debt Funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revolving Loan	<u>\$</u>	<u>\$</u>	<u>\$ 63 980</u>	<u>\$ 68 550</u>	<u>\$ 63 980</u>	<u>\$ 68 550</u>

The State of North Carolina limits 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 Town of Rhodhiss is \$3 121 475.

Financial Highlights for the next Fiscal Year Ending June 30, 2017

Governmental Activities: The General Fund's expenditures should remain stable. In addition the Horseshoe Trail Park will be completed at a cost of approximately \$100 000 to be funded by a Partf grant.

Business-type Activities: Water and sewer rates will not increase. Expenditures will remain constant. The Water and Sewer improvement project will be completed at an estimated cost of \$3 000 000 funded completely by Community Development Block Grant funds.

Economic Factors and Next Year's Budgets and Rates

The Town has decided not to increase tax rates for the next fiscal year. Approximately \$114 000 of fund balance is expected to be used to balance the budget.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Rhodhiss, P. O. Box 40, Rhodhiss, NC 28667.

TOWN OF RHODHISS
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit 1

<u>Assets</u>	Total Government		
	Governmental Activities	Business - Type Activities	Total
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 460 838	\$ 272 566	\$ 733 404
Restricted Cash and Cash Equivalents	62 397	20 350	82 747
Receivables (Net of Allowance for Uncollectibles)	49 691	70 131	119 822
Prepaid Expenses	7 517		7 517
Total Current Assets	580 443	363 047	943 490
<u>Non Current Assets:</u>			
<u>Capital Assets:</u>			
Land and Construction in Progress	251 873	97 989	349 862
Other Capital Assets, Net of Depreciation	121 288	2 278 317	2 399 605
Total Non Current Assets	373 161	2 376 306	2 749 467
Total Assets	953 604	2 739 353	3 692 957
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable and Accrued Liabilities	6 763	6 859	13 622
Customer Deposits		20 350	20 350
Current Portion of Long Term Debt		4 570	4 570
Compensated Absences	8 113	2 822	10 935
Total Current Liabilities	14 876	34 601	49 477
<u>Non Current Liabilities:</u>			
Non Current Portion of Long Term Debt		59 410	59 410
Total Liabilities	14 876	94 011	108 887
<u>Net Position</u>			
Net Investment in Capital Assets	373 161	2 312 326	2 685 487
<u>Restricted For:</u>			
Transportation-Streets	62 397		62 397
Stabilization by State Statute	37 357		37 357
Unrestricted	465 813	333 016	798 829
Total Net Position	\$ 938 728	\$ 2 645 342	\$ 3 584 070

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

TOWN OF RHODHISS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Position		
		Charges For Services	Capital Grants	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 171 486	\$	\$	\$	\$ (171 486)	\$	\$ (171 486)
Public Safety	90 745			5 080	(85 665)		(85 665)
Environmental Protection	171 692				(171 692)		(171 692)
Transportation	51 978			35 516	(16 462)		(16 462)
Cultural and Recreational	1 113		76 975		75 862		75 862
Total Governmental Activities	487 014		76 975	40 596	(369 443)		(369 443)
Business-Type Activities:							
Water and Sewer	364 978	266 174	97 989			(815)	(815)
Total Government	\$ 851 992	\$ 266 174	\$ 174 964	\$ 40 596	(369 443)	(815)	(370 258)
General Revenues:							
Taxes:							
Property Taxes					221 952		221 952
Local Option Sales					215 378		215 378
Investment Earnings					505	344	849
Miscellaneous					71 875		71 875
Gain (Loss) on Disposal of Assets					(7 960)		(7 960)
Total General Revenues and Transfers					501 750	344	502 094
Changes in Net Position					132 307	(471)	131 836
Net Position - Beginning					806 421	2 645 813	3 452 234
Net Position - Ending					\$ 938 728	\$ 2 645 342	\$ 3 584 070

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

TOWN OF RHODHISS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit 3

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 384 060	\$ 76 778	\$ 460 838
Restricted Cash and Cash Equivalents	62 397		62 397
Receivables, Net	37 357		37 357
Property Tax Receivable, Net	12 334		12 334
Prepaid Expenses	<u>7 517</u>		<u>7 517</u>
Total Assets	<u>\$ 503 665</u>	<u>\$ 76 778</u>	<u>\$ 580 443</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Liabilities	<u>\$ 6 763</u>	<u>\$</u>	<u>\$ 6 763</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Property Taxes	<u>12 334</u>		<u>12 334</u>
<u>Fund Balances</u>			
Non Spendable:			
Prepaid Expenses	7 517		7 517
Restricted For:			
Streets	62 397		62 397
Stabilization by State Statute	37 357		37 357
Assigned To:			
Parks and Recreation		76 778	76 778
Subsequent Year's Expenditures	114 009		114 009
Unassigned	<u>263 288</u>		<u>263 288</u>
Total Fund Balances	<u>484 568</u>	<u>76 778</u>	<u>561 346</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 503 665</u>	<u>\$ 76 778</u>	<u>\$ 580 443</u>

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

TOWN OF RHODHISS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds	\$ 373 161
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	12 334
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(8 113)
Fund Balance - Governmental Funds (Exhibit 3)	<u>561 346</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 938 728</u>

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

TOWN OF RHODHISS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes:			
Property	\$ 227 519	\$	\$ 227 519
Local Option Sales	215 378		215 378
Intergovernmental	85 315	76 975	162 290
Charges for Services	2 235		2 235
Investment Earnings	505		505
Miscellaneous	24 921		24 921
	<u>555 873</u>	<u>76 975</u>	<u>632 848</u>
 <u>Expenditures</u>			
Current:			
General Government	210 493		210 493
Public Safety	114 966		114 966
Environmental Protection	180 530		180 530
Transportation	49 488		49 488
Cultural and Recreational	1 114		1 114
Capital Projects		131 401	131 401
	<u>556 591</u>	<u>131 401</u>	<u>687 992</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(718)</u>	<u>(54 426)</u>	<u>(55 144)</u>
Other Financing Sources (Uses): Transfers In(Out)	<u>(120 000)</u>	<u>120 000</u>	<u></u>
Net Change in Fund Balance	(120 718)	65 574	(55 144)
 Fund Balances:			
Beginning of Year	<u>605 286</u>	<u>11 204</u>	<u>616 490</u>
End of Year	<u>\$ 484 568</u>	<u>\$ 76 778</u>	<u>\$ 561 346</u>

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

TOWN OF RHODHISS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - Governmental Funds (Exhibit 4)	\$ (55 144)
Amounts reported for <i>Governmental Activities</i> in the Statement of Activities (Exhibit 2) are different because:	
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 \$205 672 was more than depreciation of \$7 546 in the current period.	198 126
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds-Ad Valorem Taxes.	(5 567)
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 - Compensated Absences	2 852
Loss on Disposal of Fixed Assets is reported on the Government Wide Statement only	<u>(7 960)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 132 307</u>

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

TOWN OF RHODHISS
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund				
	Original Budget	Final Budget	Actual	Variances With Final Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 208 000	\$ 208 000	\$ 227 519	\$ 19 519
Local Option Sales Tax	185 000	185 000	215 378	30 378
Unrestricted Intergovernmental	36 000	36 000	44 719	8 719
Restricted Intergovernmental	35 000	35 000	40 596	5 596
Sales and Services	1 000	1 000	2 235	1 235
Investment Earnings	200	200	505	305
Miscellaneous	10 000	10 000	24 921	14 921
Total Revenues	475 200	475 200	555 873	80 673
Expenditures:				
Current:				
General Government	206 900	226 900	210 493	16 407
Public Safety	154 550	139 550	114 966	24 584
Environmental Protection	184 450	184 450	180 530	3 920
Transportation	35 000	55 000	49 488	5 512
Cultural and Recreational	6 500	6 500	1 114	5 386
Total Expenditures	587 400	612 400	556 591	55 809
Revenues Over (Under) Expenditures	(112 200)	(137 200)	(718)	136 482
Other Financing Sources (Uses):				
Appropriated Fund Balance	112 200	322 210		(322 210)
Transfers In (Out)		(185 010)	(120 000)	65 010
Total Other Financing Sources (Uses):	112 200	137 200	(120 000)	(257 200)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$	\$	\$ (120 718)	\$ (120 718)
Fund Balance:				
Beginning of Year, July 1			605 286	
End of Year, June 30			\$ 484 568	

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

TOWN OF RHODHISS
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2016

	<u>Enterprise Fund</u> <u>Water and Sewer</u> June 30, 2016
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 272 566
Restricted Cash	20 350
Accounts Receivable - Net	21 660
Due from Other Governmental Entities	<u>48 471</u>
Total Current Assets	<u>363 047</u>
<u>Noncurrent Assets:</u>	
Fixed Assets - Net	<u>2 376 306</u>
Total Assets	<u>2 739 353</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable and Accrued Liabilities	6 859
Customer Deposits	20 350
Accrued Vacation Pay	2 822
Current Portion of Long Term Debt	<u>4 570</u>
Total Current Liabilities	<u>34 601</u>
<u>Noncurrent Liabilities:</u>	
Noncurrent Portion of Long Term Debt	<u>59 410</u>
Total Liabilities	<u>94 011</u>
<u>Net Position</u>	
Net Investment in Capital Assets	2 312 326
Unrestricted	<u>333 016</u>
Total Net Position	<u>\$2 645 342</u>

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

TOWN OF RHODHISS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund Water and Sewer</u>
Operating Revenues	
Charges for Services	<u>\$ 266 174</u>
Operating Expenses:	
Water and Sewer Operations	266 321
Depreciation	<u>98 657</u>
Total Operating Expenses	<u>364 978</u>
Operating Income (Loss)	<u>(98 804)</u>
Non-Operating Revenues (Expenses):	
Interest Earned on Investments	<u>344</u>
Income (Loss) Before Contributions	(98 460)
Capital Contributions	<u>97 989</u>
Change in Net Position	(471)
Net Position - July 1	<u>2 645 813</u>
Net Position - June 30	<u>\$2 645 342</u>

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

TOWN OF RHODHISS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 264 701
Cash Paid for Goods and Services	(203 821)
Cash Paid for Employees and Benefits	(60 722)
Customer Deposits Received (Refunded)	<u>400</u>
Net Cash Provided (Used) by Operating Activities	<u>558</u>
Cash Flows From Capital and Related Financing Activities:	
Capital Contributions - Federal Grant	49 518
Debt Principal Paid	(4 570)
Acquisition and Construction of Capital Assets	<u>(119 981)</u>
Total Cash Flows From Capital and Related Financing Activities	<u>(75 033)</u>
Cash Flows From Noncapital Financing Activities:	
Interfund Activity	<u>(80)</u>
Cash Flows From Investing Activities:	
Interest Earned on Investments	<u>344</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74 211)
Cash and Cash Equivalents - Beginning of Year	<u>367 127</u>
Cash and Cash Equivalents - End of Year	<u>\$ 292 916</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (98 804)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	98 657
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1 473)
Increase (Decrease) in Customer Deposits	400
Increase (Decrease) in Accounts Payable	1 178
Increase (Decrease) in Accrued Vacation Pay	<u>600</u>
Total Adjustments	<u>99 362</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 558</u>

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

TOWN OF RHODHISS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

I. Summary of Significant Accounting Policies:

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

A. Reporting Entity:

The Town of Rhodhiss is a municipal corporation which is governed by an elected mayor and a four member board of aldermen.

B. Basis of Presentation:

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds, if any, 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The primary expenditures are for general government, street maintenance and public safety.

Capital Project Fund. The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The town has one capital project - Horseshoe Trail Park.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The Water and Sewer Fund is 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 (expenses, including depreciation) 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Water and sewer capital projects are included in the Water and Sewer Capital Project Fund.

C. Measurement Focus, 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, 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 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal 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 connection for new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues 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 Rhodhiss because the tax is levied by Burke and Caldwell Counties and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursements 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 general revenues.

D. Budgetary Data

Budget - Budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for all capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for capital project funds. During the year several board approved amendments to the original budget were necessary.

Encumbrances - Under North Carolina General Statutes, the Town is not required to maintain encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. At June 30, 2016 there were no open purchase orders outstanding.

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

1. Deposits:

All deposits of the Town are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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 only be expended for maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any service is rendered is also restricted.

Town of Rhodhiss Restricted Cash

Governmental Activities

General Fund

Streets \$ 62 397

Business-type Activities

Water and Sewer Fund

Customer Deposits 20 350

Total Restricted Cash \$ 82 747

4. Ad Valorem Taxes Receivable:

In accordance with [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due on September 1; however, interest does not accrue until the following January 6. These taxes levied are based on the assessed values as of January 1, 2015.

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. Prepaid Expenses:
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 \$1 000 and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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. Beginning July 1, 2003 general infrastructure costs are capitalized as incurred. The Town has set a threshold of \$10 000 for capitalizing infrastructure. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	30-40
Vehicles	5
Furniture and equipment	5-7
Distribution Systems	25-40

8. Deferred Inflows of Resources
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 only one item that meets the criterion for this category - property taxes receivable.
9. Long-Term Obligations
In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance 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, the face amount of debt issued is reported as an other financing source. 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

Full-time employees shall earn paid vacation according to his/her length of service as follows:

<u>Length of Service</u>	<u>Vacation Leave Equivalent</u>
0 Years - 4 Years	10 Workdays
5 Years - 9 Years	12 Workdays
10 Years - 14 Years	15 Workdays
15 Years - 19 Years	18 Workdays
20 Years plus	20 Workdays

For full-time employees, vacation pay is a maximum of 80 hours per year and 30 days may be carried over.

For full-time employees, sick pay is accumulated at the rate of twelve days per year. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balance

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.

Prepaid Expense - portion of fund balance that is not an available resource for spending.

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Assigned for Parks and Recreation - portion of fund balance that has been budgeted by the Board for construction of a public park.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance.

12. Uses of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. 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 security held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository

that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits. At year-end, the Town's deposits had a carrying amount of \$816 151 and a bank balance of \$833 198. The entire bank balance was covered by federal depository insurance or other sufficient collateral under the pooling method.

2. Receivables - Allowances for Doubtful Accounts - The receivables shown in the Balance Sheet and Statement of Net Position are presented net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2016</u>
General Fund - Property Taxes	<u>\$ 22 646</u>
Enterprise Fund - Utility Bills	<u>\$ 3 000</u>

Receivables - Net of Allowances

Accounts receivable at June 30, 2016 was as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Local Option Sales Tax</u>	<u>Governmental Agencies</u>	<u>Total</u>
\$ 3 557	\$ 21 660	\$ 12 334	\$ 33 800	\$ 48 471	<u>\$ 119 822</u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49 852	\$ 39 715	\$	\$ 89 567
Construction in Progress	<u>30 904</u>	<u>131 402</u>	<u> </u>	<u>162 306</u>
Total Capital assets not being depreciated	<u>80 756</u>	<u>171 117</u>	<u> </u>	<u>251 873</u>
Capital assets being depreciated:				
Buildings	80 398			80 398
Vehicles	243 364	25 750	16 922	252 192
Equipment	256 762	8 805	8 572	256 995
Infrastructure	<u>28 475</u>	<u> </u>	<u> </u>	<u>28 475</u>
Total capital assets being depreciated	<u>608 999</u>	<u>34 555</u>	<u>25 494</u>	<u>618 060</u>
Less accumulated depreciation for:				
Buildings	21 620	2 278		23 898
Vehicles	243 364	1 287	16 922	227 729
Equipment	235 012	3 269	612	237 669
Infrastructure	<u>6 764</u>	<u>712</u>	<u> </u>	<u>7 476</u>
Total accumulated depreciation	<u>506 760</u>	<u>7 546</u>	<u>17 534</u>	<u>496 772</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Total capital assets being depreciated, net	<u>102 239</u>	<u>27 009</u>	<u>7 960</u>	<u>121 288</u>
Governmental activity capital assets, net	<u>\$ 182 995</u>	<u>\$198 126</u>	<u>7 960</u>	<u>\$ 373 161</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 2 048
Public Safety	2 128
Environmental Protection	880
Transportation	<u>2 490</u>
Total	<u>\$ 7 546</u>

Business-type activities

Capital assets not being depreciated:				
Construction In Progress	\$ _____	\$ 97 989	\$ _____	\$ 97 989
Capital assets being depreciated:				
Distribution Systems	3 546 401			3 546 401
Equipment	<u>68 595</u>	<u>21 992</u>		<u>90 587</u>
Total capital assets being depreciated	<u>3 614 996</u>	<u>21 992</u>		<u>3 636 988</u>
Less accumulated depreciation for:				
Distribution Systems	1 191 783	97 975		1 289 758
Equipment	<u>68 231</u>	<u>682</u>		<u>68 913</u>
Total accumulated depreciation	<u>1 260 014</u>	<u>98 657</u>		<u>1 358 671</u>
Total capital assets being depreciated, net	<u>2 354 982</u>	<u>(76 665)</u>		<u>2 278 317</u>
Water and Sewer fund capital assets, net	<u>\$2 354 982</u>	<u>\$ 21 324</u>	<u>\$ _____</u>	<u>\$2 376 306</u>

B. Liabilities:

1. Deferred Inflows of Resources

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

Taxes receivable (General Fund),	
Less penalties	<u>\$ 12 334</u>

2. 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 has property coverage up to \$1 456 663, worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims of \$500 000 for property and \$300 000 up to statutory limit, for worker's compensation. The pools are insured for annual employee health claims in excess of \$150 000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance value. The Town carries commercial coverage for all other risk of loss. Claims have not exceeded coverage in any of the past three years. The Town does not maintain flood insurance at this time.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50 000. The remaining employees that have access to funds are bonded under a blanket bond of \$15 000.

3. Long-Term Obligations

Revolving Loan

The Town had the following debt at June 30, 2016:

<u>Description</u>	<u>Cost</u>	<u>Date</u>	<u>Term</u>	<u>Rate</u>	<u>Payment Amount</u>
Enterprise Fund- ARRA Revolving Loan: Water and Sewer Distribution Systems	\$ 182 801	05-01-10	40 Years	0%	\$ 4 570 Annual

The following totals summarizes the annual requirement to amortize all long term obligations:

	<u>ARRA Revolving Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4 570		\$ 4 570
2018	4 570		4 570
2019	4 570		4 570
2020	4 570		4 570
2021	4 570		4 570
2022-2026	22 850		22 850
2027-2031	<u>18 280</u>		<u>18 280</u>
Total	<u>\$ 63 980</u>	<u>\$</u>	<u>\$ 63 980</u>

4. Changes in Long-Term Liabilities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Business Activities:					
ARRA - Revolving Loan	\$ 68 550	\$ _____	\$ 4 570	\$ 63 980	\$ 4 570

At June 30, 2016, the Town had a legal debt margin of \$3 121 475.

5. Construction Commitments:

The government has one active construction project as of June 30, 2016.
At year end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Recreational facilities - Park	\$ 129 476	\$ 7 847

6. Individual Balances and Activity

a. Transfers to and from funds are as follows:

	Transfers To	Transfers From
General		\$ 120 000
Capital Projects	\$ 120 000	_____
Total	\$ 120 000	\$ 120 000

Transfer of funds was to the Capital Projects fund to help with matching costs for the Park project.

7. Fund Balance

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

Total Fund Balance - General Fund	\$ 484 568
Less:	
Prepaid Expenses	(7 517)
Stabilization by State Statute	(37 357)
Streets - Powell Bill	(62 397)
Appropriated Fund Balance in 2017 Budget	(114 009)
Remaining Fund Balance	\$ 263 288

8. Subsequent Events

Subsequent events have been evaluated through July 28, 2016, which is the date the financial statements were available to be issued.

III. Summary Disclosure of Significant Contingencies:

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

IV. Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Excess of Expenditures Over Appropriations

Expenditures over budgeted amounts were noted in the following Department:

<u>Enterprise Fund</u>	<u>Over Budget</u>
Supply and Treatment	<u>\$ 29 213</u>

This over expenditure occurred because of unplanned maintenance costs on the Town's pump stations. It is the Town's intention to amend their budget on a more timely basis in the future.

TOWN OF RHODHISS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2015 Actual</u>
Revenues:				
Ad Valorem Taxes:				
Current Year	\$ 198 000	\$ 209 732	\$ 11 732	\$ 194 236
Prior Years	10 000	14 608	4 608	23 691
Penalties and Interest		5 139	5 139	10 334
Discounts		<u>(1 960)</u>	<u>(1 960)</u>	<u>(1 841)</u>
Total	<u>208 000</u>	<u>227 519</u>	<u>19 519</u>	<u>226 420</u>
Other Taxes and Licenses:				
Local Option Sales Tax	185 000	159 728	(25 272)	151 485
Hold Harmless		<u>55 650</u>	<u>55 650</u>	<u>54 061</u>
Total	<u>185 000</u>	<u>215 378</u>	<u>30 378</u>	<u>205 546</u>
Unrestricted Intergovernmental Revenues:				
Solid Waste Tax		684	684	685
Sales Tax Refund				2 804
Utility Sales Tax	<u>36 000</u>	<u>44 035</u>	<u>8 035</u>	<u>40 503</u>
Total	<u>36 000</u>	<u>44 719</u>	<u>8 719</u>	<u>43 992</u>
Restricted Intergovernmental Revenues:				
Powell Bill Allocation	35 000	35 516	516	35 700
Grants		<u>5 080</u>	<u>5 080</u>	<u>5 000</u>
Total	<u>35 000</u>	<u>40 596</u>	<u>5 596</u>	<u>40 700</u>
Sales and Services:				
Police Fees		10	10	5
Fundraising-Fire Dept	<u>1 000</u>	<u>2 225</u>	<u>1 225</u>	<u>2 125</u>
Total	<u>1 000</u>	<u>2 235</u>	<u>1 235</u>	<u>2 130</u>
Investment Earnings:				
Interest Earned	<u>200</u>	<u>505</u>	<u>305</u>	<u>483</u>
Miscellaneous:				
Narcotics		49	49	44
Other	<u>10 000</u>	<u>24 872</u>	<u>14 872</u>	<u>1 291</u>
Total	<u>10 000</u>	<u>24 921</u>	<u>14 921</u>	<u>1 335</u>
Total Revenues	<u>475 200</u>	<u>555 873</u>	<u>80 673</u>	<u>520 606</u>

	2016		Variance	2015
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General Government:				
Administration:				
Salaries & Benefits	\$	\$ 76 559	\$	\$ 101 301
Advertising		1 183		907
Travel & Training		5 618		4 041
Professional Services		25 220		20 796
Telephone and Postage		3 121		2 259
Utilities		1 959		2 047
Dues and Subscriptions		3 886		3 501
Insurance and Bonds		26 147		10 934
Maintenance		623		737
Departmental Supplies		5 140		6 170
Elections		3 156		
Administration Fees		4 400		4 681
Contracted Services		12 815		4 568
Miscellaneous		950		812
Capital Outlay		39 716		
Total General Government	226 900	210 493	16 407	162 754
Public Safety:				
Police:				
Salaries & Benefits		31 692		29 777
Telephone and Postage		3 174		2 614
Insurance		4 959		3 737
Uniforms				791
Supplies		2 504		1 655
Utilities		1 597		1 754
Repairs and Maintenance		4 028		1 506
Miscellaneous		1 072		53
Total	61 800	49 026	12 774	41 887

	2016		Variance Favorable (Unfavorable)	2015 Actual
	Budget	Actual		
Fire Department:				
Salaries & Benefits		1 699		15 850
Insurance and Bonds		12 664		13 401
Supplies		13 870		11 536
Utilities		1 597		1 754
Telephone and Postage		2 269		2 457
Repairs and Maintenance		6 951		5 399
Miscellaneous		1 140		2 176
Capital Outlay		25 750		11 100
Total	77 750	65 940	11 810	63 673
Total Public Safety	139 550	114 966	24 584	105 560
Environmental Protection:				
Public Works:				
Salaries & Benefits		102 722		69 982
Group Insurance		21 115		4 682
Utilities		19 001		17 149
Uniforms		500		1 692
Automotive Supplies		7 223		8 627
Departmental Supplies		3 909		4 446
Insurance		5 439		8 430
Maintenance and Repairs		11 816		5 314
Miscellaneous				80
Capital Outlay		8 805		
Total Environmental Protection	184 450	180 530	3 920	120 402
Transportation:				
Streets:				
Street Improvements		44 500		5 500
Maintenance		4 988		10 198
Capital Outlay				21 022
Total Transportation	55 000	49 488	5 512	36 720
Cultural and Recreational:				
Parks	6 500	1 114	5 386	5 730
Total Expenditures	612 400	556 591	55 809	431 166

	2016			2015
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues Over (Under)				
Expenditures	<u>(137 200)</u>	<u>(718)</u>	<u>136 482</u>	<u>89 440</u>
Other Financing Sources (Uses):				
Transfers to Other Funds	(185 010)	(120 000)	65 010	
Appropriated Fund Balance	<u>322 210</u>		<u>(322 210)</u>	
Total Other Financing Sources (Uses):	<u>137 200</u>	<u>(120 000)</u>	<u>(257 200)</u>	
Revenues and Other Sources Over(Under) Expenditures and Other Uses	<u>\$</u>	(120 718)	<u>\$ (120 718)</u>	89 440
Fund Balance - Beginning of Year		<u>605 286</u>		<u>515 846</u>
Fund Balance - End of Year		<u>\$ 484 568</u>		<u>\$ 605 286</u>

TOWN OF RHODHISS
GENERAL CAPITAL PROJECTS FUND - HORSESHOE TRAIL PARK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2016

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
State Grant - PARTF	\$ 163 750	\$ 70 405	\$ 76 975	\$ 147 380	\$ (16 370)
 Expenditures:					
Land Acquisition	161 000	160 500		160 500	500
Engineering	25 000	24 725	1 915	26 640	(1 640)
Construction	180 900		129 476	129 476	51 424
Administration	6 860	6 180	10	6 190	670
Total Expenditures	<u>373 760</u>	<u>191 405</u>	<u>131 401</u>	<u>322 806</u>	<u>50 954</u>
Revenues Over (Under) Expenditures	<u>(210 010)</u>	<u>(121 000)</u>	<u>(54 426)</u>	<u>(175 426)</u>	<u>34 584</u>
Other Financing Sources (Uses):					
Transfer from General Fund	<u>210 010</u>	<u>132 204</u>	<u>120 000</u>	<u>252 204</u>	<u>42 194</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ _____</u>	<u>\$ 11 204</u>	<u>\$ 65 574</u>	<u>\$ 76 778</u>	<u>\$ 76 778</u>

TOWN OF RHODHISS, NORTH CAROLINA
ENTERPRISE FUND - WATER AND SEWER
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>		Variance	2015
	<u>Budget</u>	<u>Actual</u>	Favorable	<u>Actual</u>
			(Unfavorable)	
Revenues:				
Operating Revenues:				
Charges for Services	\$ 275 000	\$ 266 174	\$ (8 826)	\$ 268 951
Other Operating Revenues:				
Taps and Connections	1 500		(1 500)	
Other				387
Total Operating Revenues	<u>276 500</u>	<u>266 174</u>	<u>(10 326)</u>	<u>269 338</u>
Non-operating Revenues:				
Interest Earned on Investments		344	344	347
Budgetary Appropriations:				
Appropriated Fund Balance	55 670		(55 670)	
Total Revenues	<u>332 170</u>	<u>266 518</u>	<u>(65 652)</u>	<u>269 685</u>
Expenditures:				
Operating Expenditures:				
Administration:				
Salaries & Benefits		61 322		56 896
Insurance		14 042		11 500
Telephone		859		740
Utilities		12 297		11 275
Supplies and Postage		5 141		8 856
Dues and Subscriptions		1 405		280
Professional Fees				1 080
Miscellaneous		1 942		1 350
Total	<u>148 100</u>	<u>97 008</u>	<u>51 092</u>	<u>91 977</u>
Supply and Treatment:				
Purchase for Resale		32 640		32 114
Treatment and Transmission		86 938		62 390
Maintenance and Repairs		46 360		9 509
Testing		2 775		2 650
Total	<u>139 500</u>	<u>168 713</u>	<u>(29 213)</u>	<u>106 663</u>
Total Operating Expenditures	<u>287 600</u>	<u>265 721</u>	<u>21 879</u>	<u>198 640</u>

	2016		Variance	
Expenditures - Continued:	Budget	Actual	Favorable (Unfavorable)	2015 Actual
Budgetary Appropriations:				
Debt Interest and Principal Paid	\$ 4 570	\$ 4 570	\$	\$ 4 570
Capital Outlay	40 000		40 000	
Total Budgetary Appropriations	44 570	4 570	40 000	4 570
Total Expenditures	332 170	270 291	61 879	203 210
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$	\$ (3 773)	\$ (3 773)	\$ 66 475
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
			\$ (3 773)	
Add:				
Debt Principal Paid		4 570		
Grants Received		97 989	102 559	
Less:				
Depreciation		(98 657)		
Increase in Vacation Pay		(600)	(99 257)	
Change in Net Position (Exhibit 7)			\$ (471)	

TOWN OF RHODHISS
WATER AND SEWER CAPITAL PROJECTS FUND
WATER AND SEWER SYSTEM IMPROVEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2016

	<u>Project Budget</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Intergovernmental					
Federal Grant-CDBG	\$ 3 000 000	\$ _____	\$ 97 989	\$ 97 989	\$ (2 902 011)
Expenditures:					
Water Administration	140 000		40 901	40 901	99 099
Sewer Administration	160 000		57 088	57 088	102 912
Water Improvements	1 260 000				1 260 000
Sewer Improvements	1 440 000				1 440 000
Total Expenditures	<u>3 000 000</u>	_____	<u>97 989</u>	<u>97 989</u>	<u>2 902 011</u>
Revenues Over (Under) Expenditures	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

TOWN OF RHODHISS
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$	\$ 219 000	\$ 209 732	\$ 9 268
2014-2015	13 190		6 907	6 283
2013-2014	7 396		2 470	4 926
2012-2013	5 073		1 681	3 392
2011-2012	3 818		1 253	2 565
2010-2011	2 677		825	1 852
2009-2010	1 830		328	1 502
2008-2009	1 164		286	878
2007-2008	1 693		286	1 407
2006-2007	3 194		287	2 907
2005-2006	<u>1 109</u>		<u>1 109</u>	
Total	<u>\$ 41 144</u>	<u>\$ 219 000</u>	<u>\$ 225 164</u>	\$ 34 980
Less Allowance for Uncollectible Accounts				<u>22 646</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 12 334</u>

Reconciliation with Revenue:

Ad Valorem Tax Revenue	\$ 227 519	
Less Penalties and Interest	<u>5 139</u>	\$ 222 380
Discounts		1 960
Releases - Prior Years		4
Written Off Per Statute of Limitations		<u>820</u>
Total Collections and Credits		<u>\$ 225 164</u>

TOWN OF RHODHISS
ANALYSIS OF CURRENT YEAR TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Total</u> <u>Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Amount</u> <u>of</u> <u>Levy</u>	<u>Excluding</u> <u>Vehicles</u>	<u>Motor</u> <u>Vehicles</u>
Tax Levy	\$ 35 816 545	.55	\$ 196 991	\$ 196 991	\$
Vehicle Taxes	4 036 727	.55	22 202		22 202
Discoveries	325 455	.55	1 790	1 790	
Releases	(360 545)	.55	(1 983)	(1 983)	
Total for Year	<u>\$ 39 818 182</u>		219 000	196 798	22 202
Less Uncollected Taxes at June 30, 2016			<u>9 268</u>	<u>9 268</u>	
Current Year Taxes Collected			<u>\$ 209 732</u>	<u>\$ 187 530</u>	<u>\$ 22 202</u>
Percent of Current Year's Taxes Collected			<u>95.77%</u>	<u>95.29%</u>	<u>100.00%</u>

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
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Morganton, NC 28680
Telephone (828) 438-1065
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Board of Aldermen
Town of Rhodhiss
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 and each major fund of the Town of Rhodhiss, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Rhodhiss's basic financial statements, and have issued our report thereon dated July 28, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2016-001 and 2016-002 to be material weaknesses.

To the Board of Aldermen
Rhodhiss, North Carolina

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2016-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Rhodhiss'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as 2016-004.

Town of Rhodhiss's Response to Findings

Town of Rhodhiss'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.



S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
July 28, 2016

TOWN OF RHODHISS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Findings Related to the Audit of the General Purpose
Financial Statements of Town of Rhodhiss:

2016-001 Internal Controls Over Financial Reporting -
Material Weakness

Criteria: The Town needs effective controls over cash receipts.

Condition: The Town does not have adequate segregation of duties over cash receipts.

Effect: Any misapplication of funds can not be detected on a timely basis.

Cause: The Town employs only one part time person in the accounting department.

Recommendation: Hire a full time employee who is under the supervision of the Town Manager.

Management Response: We agree with this finding.

2016-002 Internal Controls Over Financial Reporting - Material Weaknesses

Criteria: The Town overexpended one department in the Enterprise Fund totaling \$29 213.

Condition: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Effect: Funds were expended out of the enterprise fund before the appropriate budget amendments were made.

Cause: Oversight.

Recommendation: The Town should not expend any funds unless there is adequate amounts in the particular department budget.

Management Response: The Town agrees with this finding.

2016-003 Internal Controls Over Financial Reporting - Significant Deficiency

Criteria: The Town Manager should bring potential utility bill releases to the Board.

Condition: The Town does not have proper controls over utility bill releases.

Effect: Any improper releases cannot be detected on a timely basis.

Cause: The Manager was not following proper procedures.

Recommendation: Releases of utility bills should not be done without Board approval.

Management Response: We agree with this finding.

2016-004 Compliance

Criteria: The Town overexpended one department in the Enterprise Fund totaling \$29 213.

Condition: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Effect: Funds were expended out of the enterprise fund before the appropriate budget amendments were made.

Cause: Oversight.

Recommendation: The Town should not expend any funds unless there is adequate amounts in the particular department budget.

Management Response: The Town agrees with this finding.

TOWN OF RHODHISS, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2016

Section I Financial Statement Findings

Finding: 2016-001

- A. Name of Contact Person: Rick Justice,
Mayor
- B. Corrective Action: We will hire additional accounting personnel to correct the segregation of duties issue.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

Finding: 2016-002

- A. Name of Contact Person: Rick Justice,
Mayor
- B. Corrective Action: Budget amendments will be approved by the Board before expenditures are made out of departments which have exceeded the original budget.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

Finding: 2016-003

- A. Name of Contact Person: Rick Justice,
Mayor
- B. Corrective Action: The Board will approve all utility Bill releases.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

Finding: 2016-004

- A. Name of Contact Person: Rick Justice,
Mayor
- B. Corrective Action: Budget amendments will be approved by the Board before expenditures are made out of departments which have exceeded the original budget.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.