

**TOWN OF SPRUCE PINE  
NORTH CAROLINA**

Financial Statements  
with Independent Auditor's Report thereon

June 30, 2015

Town Council Members

Rocky Buchanan, Mayor

John Boone

Roger Burleson

Darla Harding

Larry McKinney

Administrative and Financial Staff

Richard Canipe, Town Manger

David Lindsey, Finance Officer

Laura W. Verla, CPA  
167 Locust Street  
PO Box 545  
Spruce Pine, North Carolina 28777  
(828) 765-1040

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TOWN OF SPRUCE PINE, NORTH CAROLINA  
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June 30, 2015

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FINANCIAL SECTION

# LAURA W. VERLA

CERTIFIED PUBLIC ACCOUNTANT

PO Box 545 • 167 Locust Street • Spruce Pine, NC 28777 • 828-765-1040 • LauraVerla@cpa.com

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Spruce Pine, 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**

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Town of Spruce Pine ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Town of Spruce Pine ABC Board, is based solely on the report of another auditor. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Spruce Pine ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, based on my audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Spruce Pine, North Carolina as of June 30, 2015, and the respective changes in

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a required 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. I and the other auditors 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


#### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Spruce Pine, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposed 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of other auditors, 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*, I have also issued my report dated October 30, 2015 on my consideration of the Town of Spruce Pine's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Spruce Pine's internal control over financial reporting and compliance.



Laura W. Verla, CPA  
Spruce Pine, North Carolina  
October 30, 2015

MANAGEMENT DISCUSSION  
AND ANALYSIS

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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As management of the Town of Spruce Pine, we offer readers of the Town of Spruce Pine's financial statements this narrative overview and analysis of the financial activities of the Town of Spruce Pine 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 Spruce Pine exceeded its liabilities at the close of the fiscal year by \$20,467,835.
- The government's total net position decreased by \$1,516,957.
- As of the close of current fiscal year, the Town of Spruce Pine's governmental funds reported combined ending fund balances of \$3,311,821 a decrease of \$1,846,223 in comparison with the prior year. Approximately 98.38 percent of this total amount, or \$3,258,177, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,311,821 or 85.69 percent of total general fund expenditures for the fiscal year.
- The Town of Spruce Pine's total debt decreased by \$188,096 during the current fiscal year.

**Overview of the Financial Statements**

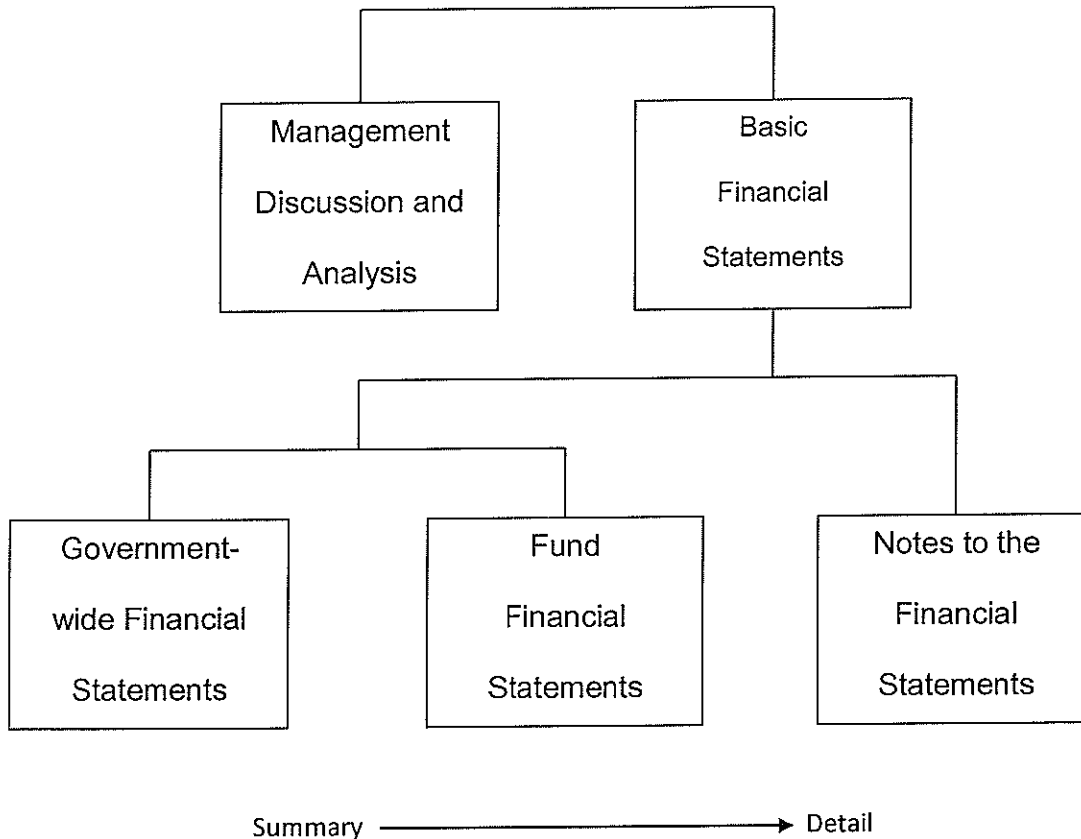
This discussion and analysis are intended to serve as an introduction to Town of Spruce Pine's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 Spruce Pine.



TOWN OF SPRUCE PINE, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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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 8) 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 SPRUCE PINE, NORTH CAROLINA  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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**Government-wide Financial Statements**

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

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

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

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The Town of Spruce Pine, 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 of the Town's budget ordinance. All of the funds of the Town of Spruce Pine 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Spruce Pine adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-42 of this report.

**Government-Wide Financial Analysis**

Town of Spruce Pine's Net Position  
 Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,075,980	\$ 5,817,448	\$ 670,430	\$ 456,150	\$ 4,746,410	\$ 6,273,598
Capital Assets	2,116,125	1,826,463	15,134,939	15,374,372	17,251,064	17,200,835
<b>Total assets</b>	<b>6,192,105</b>	<b>7,643,911</b>	<b>15,805,369</b>	<b>15,830,522</b>	<b>21,997,474</b>	<b>23,474,433</b>
Current liabilities	127,242	137,679	302,361	306,425	429,603	444,104
Long-term liabilities	80,046	79,999	800,239	964,811	880,285	1,044,810
<b>Total liabilities</b>	<b>207,288</b>	<b>217,678</b>	<b>1,102,600</b>	<b>1,271,236</b>	<b>1,309,888</b>	<b>1,488,914</b>
Deferred inflows of resources	241,876	727	-	-	241,876	727
<b>Net position:</b>						
Net investment in capital assets, net of related debt	2,114,937	1,826,463	14,158,869	14,215,175	16,273,806	16,041,638
Restricted	53,178	345,566	-	-	53,178	345,566
Unrestricted	3,596,951	5,253,477	543,900	344,111	4,140,851	5,597,588
<b>Total net position</b>	<b>\$ 5,765,066</b>	<b>\$ 7,425,506</b>	<b>\$ 14,702,769</b>	<b>\$ 14,559,286</b>	<b>\$ 20,467,835</b>	<b>\$ 21,984,792</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Spruce Pine exceeded liabilities and deferred inflows by \$20,467,835 as of June 30, 2015. The Town's net position decreased by \$1,516,957 for the fiscal year ended June 30, 2015. However the largest portion (79%) reflects the Town's net investment in capital assets (e.g. machinery, and equipment and construction in progress), less any related debt still

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the net capital assets cannot be used to liquidate these liabilities. Also, the Town of Spruce Pine 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 \$140,235. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Spruce Pine's management.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.51%, which is comparable to the statewide average of 98.35%.
- Continued effort to control costs and seek additional grant sources.

Town of Spruce Pine  
**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 79,861	\$ 68,935	\$ 2,166,801	\$ 2,085,873	\$ 2,246,662	\$ 2,154,808
Operating grants and contributions	157,168	122,871	-	-	157,168	122,871
Capital grants and contributions	-	-	290,809	876,702	290,809	876,702
General revenues:						
Property taxes	1,080,554	897,865	-	-	1,080,554	897,865
Other taxes	705,272	635,840	-	-	705,272	635,840
Grants and contributions not restricted to specific programs:	64,449	11,804	-	-	64,449	11,804
Other:	41,431	18,300	-	-	41,431	18,300
<b>Total Revenues</b>	<b>2,128,735</b>	<b>1,755,615</b>	<b>2,457,610</b>	<b>2,962,575</b>	<b>4,586,345</b>	<b>4,718,190</b>
<b>Expenses:</b>						
General government	363,538	334,537	-	-	363,538	334,537
Public safety	2,444,634	913,581	-	-	2,444,634	913,581
Transportation	351,177	277,016	-	-	351,177	277,016
Economic and physical development	86,005	453,279	-	-	86,005	453,279
Cultural and recreation	313,884	257,540	-	-	313,884	257,540
Environmental protection	71,246	70,496	-	-	71,246	70,496
Cemetery	18,456	24,148	-	-	18,456	24,148
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	2,314,127	2,267,287	2,314,127	2,267,287
<b>Total Expenses</b>	<b>3,648,940</b>	<b>2,330,597</b>	<b>2,314,127</b>	<b>2,267,287</b>	<b>5,963,067</b>	<b>4,597,883</b>
Increase (decrease) in net position before transfers	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	(1,520,205)	(574,982)	143,483	695,289	(1,376,722)	120,307
Net position, July 1	7,425,506	8,000,488	14,559,286	13,863,997	21,984,792	21,864,485
Restatement	(140,235)	-	-	-	(140,235)	-
<b>Net position, June 30</b>	<b>\$ 5,765,066</b>	<b>\$ 7,425,506</b>	<b>\$ 14,702,769</b>	<b>\$ 14,559,286</b>	<b>\$ 20,467,835</b>	<b>\$ 21,984,792</b>

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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**Governmental activities:** Governmental activities decreased the Town's net position by \$1,520,205. Key elements of this decrease are as follows:

- Expenses for public safety.

**Business-type activities.** Business-type activities increased the Town of Spruce Pine's net position by \$143,483. Key elements of this increase are as follows:

- The Town revenues for water and sewer exceeded the expenses.

#### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town of Spruce Pine. At the end of the current fiscal year, fund balance available of the General Fund was \$3,258,177, while total fund balance reached \$3,311,821. The town has an available fund balance of 83% of the general fund expenditures, while total fund balance represents 84.4% of the same amount.

At June 30, 2015, the governmental funds of the Town of Spruce Pine reported a combined fund balance of \$3,311,821, a 35.7 percent decrease over last year.

**General Fund Budgetary Highlights.** During the fiscal year, the Town of Spruce Pine made three revisions to the original budget. 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.

Overall, revenues increased by \$168,735 and expenditures increased by \$1,989,320.

**Proprietary Fund.** The Town's proprietary fund 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 \$543,900.

#### **Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$17,251,064 (net accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, vehicles, and water and sewer systems.

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

Town of Spruce Pine  
**Capital Assets, net of depreciation**  
**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 606,533	\$ 941,840	\$ 48,845	\$ 48,845	\$ 655,378	\$ 990,685
Buildings/Improvements	926,642	211,847	-	-	926,642	211,847
Recreation park	402,512	405,550	-	-	402,512	405,550
Equipment	50,092	42,580	88,182	113,120	138,274	155,700
Vehicles	70,317	113,332	-	-	70,317	113,332
Infrastructure	60,029	111,314	-	-	60,029	111,314
Water and sewer systems	-	-	12,301,389	12,711,363	12,301,389	12,711,363
Construction in progress	-	-	2,696,523	2,501,044	2,696,523	2,501,044
<b>Total</b>	<b>\$ 2,116,125</b>	<b>\$ 1,826,463</b>	<b>\$ 15,134,939</b>	<b>\$ 15,374,372</b>	<b>\$ 17,251,064</b>	<b>\$ 17,200,835</b>

Additional information regarding the Town's capital assets can be found in Note 2.A.4 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2015, the Town of Spruce Pine had total debt outstanding of \$977,257. Of this, \$356,640 was for water and sewer bonds. Total general obligation payments during the year in the amount of \$620,617. This payment amount will vary slightly until the year 2018.

Town of Spruce Pine  
**Installment Contracts and General Obligation Bonds**  
**Figure 5**

	Governmental Activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Installment contracts	\$ 1,188	\$ 5,857	\$ 619,429	\$ 692,590	\$ 620,617	\$ 698,447
General obligation bonds	-	-	356,640	466,607	356,640	466,607
<b>Total</b>	<b>\$ 1,188</b>	<b>\$ 5,857</b>	<b>\$ 976,069</b>	<b>\$ 1,159,197</b>	<b>\$ 977,257</b>	<b>\$ 1,165,054</b>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Spruce Pine is \$15,225,433.

Additional information regarding the Town's long-term debt can be found in Note 2.B.4 of the Basic Financial Statements.

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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**Economic Factors and Next year's Budgets and rates**

The Town's economy has remained steady for the past year and should remain that way for next budget year. Revenue estimates for next year's budget are projected at current fiscal year levels.

Real estate and personal property rates remain at 51 cents per hundred dollars with little or no increase in valuations.

Water and sewer rates were not increased.

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

*Government Activities:* The property tax rate for the Town of Spruce Pine remains at \$.51 per \$100 valuation. Operating costs decreased by \$1,605,927 primarily due to the donation of \$1,489,555 to the Spruce Pine Fire department in the 2014-2015 fiscal year. This donation also created a need to negotiate a new contract for fire service, netting us a decrease in expense of \$89,000. This also reduced our fund balance appropriated by \$1,545,133. An increase of 1% for wages was included in the budget based upon the cola index. The main revenue sources for the General Fund are: 1) Property and vehicle taxes (53.9%), 2) Other taxes including sales and franchise (34.7%), and 3) Powell Bill Revenue (4.2%). These three sources reflect 92.8% of total General Revenue Sources. The town has budgeted \$31,658 of fund balance to meet expenditure allegations.

*Business-type Activities:* The Total Water and Sewer Fund budget for the Town of Spruce Pine is \$2,159,513. This is a 4.3% increase over the previous year due to an increase in our contract with American Water.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



TOWN OF SPRUCE PINE, NORTH CAROLINA  
STATEMENT OF NET POSITION  
June 30, 2015

	Governmental Activities	Business-type Activities	Total	Town of Spruce Pine ABC Board
<b>ASSETS</b>				
Current assets:				
Cash and equivalents	\$ 3,367,406	\$ 474,221	\$ 3,841,627	89,060
Taxes receivables, net	83,466	-	83,466	-
Accounts receivables, net	25,799	188,373	214,172	-
Due (to) from other funds	-	-	-	-
Notes receivable, net	491,841	-	491,841	-
Inventories	730	-	730	135,454
Prepaid items	8,250	1,200	9,450	-
Restricted cash and cash equivalents	-	-	-	-
Total current assets	<u>3,977,492</u>	<u>663,794</u>	<u>4,641,286</u>	<u>224,514</u>
Other assets:				
Bond issue costs, net	-	6,636	6,636	-
Non-current assets:				
Net pension asset	98,488	-	98,488	-
Capital asset (Note 1):				
Land, improvements, and construction in progress	606,533	2,745,368	3,351,901	-
Other capital assets, net of depreciation	1,509,592	12,389,571	13,899,163	381,112
Total capital assets	<u>2,116,125</u>	<u>15,134,939</u>	<u>17,251,064</u>	<u>381,112</u>
Other post-employment benefits asset	-	-	-	-
Total non-current assets	<u>2,116,125</u>	<u>15,134,939</u>	<u>17,251,064</u>	<u>381,112</u>
Total assets	<u>\$ 6,192,105</u>	<u>\$ 15,805,369</u>	<u>\$ 21,997,474</u>	<u>\$ 605,626</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to pension plan in current fiscal year	22,125	-	22,125	-
Total deferred outflows of resources	<u>22,125</u>	<u>-</u>	<u>22,125</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 88,526	\$ 83,812	\$ 172,338	\$ 33,831
Customer deposits	-	42,718	42,718	-
Bonds, capital leases and contracts	-	175,831	175,831	12,784
Compensated absences	38,716	-	38,716	-
Total current liabilities	<u>127,242</u>	<u>302,361</u>	<u>429,603</u>	<u>46,615</u>
Long-term liabilities:				
Note payable	1,188	436,680	437,868	425,099
Bonds, capital leases and contracts	-	363,559	363,559	-
Net pension obligation	53,328	-	53,328	-
Compensated absences	25,530	-	25,530	-
Total long-term liabilities	<u>80,046</u>	<u>800,239</u>	<u>880,285</u>	<u>425,099</u>
Total liabilities	<u>207,288</u>	<u>1,102,600</u>	<u>1,309,888</u>	<u>471,714</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	1,838	-	1,838	-
Pension deferrals	240,038	-	240,038	-
Total deferred inflows of resources	<u>241,876</u>	<u>-</u>	<u>241,876</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,114,937	14,158,869	16,273,806	-
Restricted for:				
Stabilization by state statute	23,961	-	23,961	-
Other functions	29,217	-	29,217	-
Unrestricted	3,596,951	543,900	4,140,851	133,912
Total net position	<u>\$ 5,765,066</u>	<u>\$ 14,702,769</u>	<u>\$ 20,467,835</u>	<u>\$ 133,912</u>

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

EXHIBIT 2

TOWN OF SPRUCE PINE NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Functions/Programs Primary Government	Net (Expense) Revenue and Changes in Net Position					
	Program Revenue			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Expenses						
General Government	\$ 363,538	\$ -	\$ -	\$ (363,538)	\$ -	\$ (363,538)
Public Safety	2,444,634	61,651	-	(2,381,480)	-	(2,381,480)
Transportation	351,177	85,147	-	(266,030)	-	(266,030)
Economic and physical development	86,005	47,583	-	(38,422)	-	(38,422)
Culture and Recreation	313,884	30,775	-	(283,109)	-	(283,109)
Environmental protection	71,246	-	-	(71,246)	-	(71,246)
Cemetery	18,456	10,370	-	(8,086)	-	(8,086)
Total governmental activities	3,648,940	157,168	-	(3,411,911)	-	(3,411,911)
Business-type activities:						
Water and sewer	2,314,127	-	290,809	-	143,483	143,483
Total business-type activities	2,314,127	-	290,809	-	143,483	143,483
Total primary government	\$ 5,963,067	\$ 157,168	\$ 290,809	\$ (3,411,911)	\$ 143,483	\$ (3,268,428)
Component Units						
Town of Spruce Pine ABC Board	1,139,322	1,202,970	-	-	-	63,649
Total component units	\$ 1,139,322	\$ 1,202,970	\$ -	\$ -	\$ -	\$ 63,649
General revenues:						
Taxes						
Property taxes, levied for general purposes				\$ 1,080,554	\$ -	\$ 1,080,554
Other taxes				705,272	-	705,272
Grants and contributions not restricted to specific programs				64,449	-	64,449
Unrestricted investment earnings				1,451	-	1,451
Miscellaneous				39,180	-	39,180
Special item - gain on sale of asset				800	-	800
Total general revenues, special items, and transfers				1,891,706	-	1,891,706
Change in net position				(1,520,205)	143,483	(1,376,722)
Profit distribution				-	-	-
Net position - beginning, previously reported				7,425,506	14,559,286	21,984,792
Restatement				(140,235)	-	(140,235)
Net position - beginning, restated				7,285,271	14,559,286	21,844,557
Net position - ending				5,765,066	14,702,769	20,467,835
				\$ 5,765,066	\$ 14,702,769	\$ 20,467,835

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

# FUND FINANCIAL STATEMENTS

TOWN OF SPRUCE PINE, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	Major Funds		Total Governmental Funds
	General Fund	Police Station Project	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,367,406	\$ -	\$ 3,367,406
Receivables, net			
Taxes	83,466	-	83,466
Due from (to) other funds	-	-	-
Accounts	25,799	-	25,799
Notes receivable	491,841	-	491,841
Inventories	730	-	730
Prepaid expenses	8,250	-	8,250
Total assets	<u>3,977,492</u>	<u>-</u>	<u>3,977,492</u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	88,526	-	88,526
Total liabilities	<u>88,526</u>	<u>-</u>	<u>88,526</u>
<b>Deferred inflow of resources:</b>			
	577,146	-	577,146
Total deferred inflow	<u>665,672</u>	<u>-</u>	<u>665,672</u>
<b>Fund balances:</b>			
<b>Non Spendable</b>			
Inventories	466	-	466
<b>Restricted</b>			
Stabilization by State statute	23,961	-	23,961
Streets - Powell Bill	-	-	-
Police Equitable Sharing	29,217	-	29,217
<b>Assigned</b>			
Subsequent year's expenditures	-	-	-
Unassigned	3,258,176	-	3,258,176
Total fund balances	<u>3,311,820</u>	<u>-</u>	<u>3,311,820</u>
Total liabilities and fund balances	<u>\$ 3,977,492</u>	<u>\$ -</u>	<u>\$ 3,977,492</u>

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2015

Total fund balance, governmental funds	\$	3,311,821
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		2,116,125
Net pension asset		98,488
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		22,125
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		84,715
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		371,830
Pension related deferrals		(240,038)
Net Position of Governmental Activities in the Statement of Net Assets	\$	<u>5,765,066</u>

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
June 30, 2015

	Major Funds		Total Governmental Funds
	General Fund	Police Station Project	
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,080,555	\$ -	\$ 1,080,555
Other taxes and licenses	700,240	-	700,240
Unrestricted intergovernmental	12,449	-	12,449
Restricted intergovernmental	146,617	-	146,617
Permits and fees	5,033	-	5,033
Charges for services	30,775	-	30,775
Investment earnings	1,451	-	1,451
Miscellaneous	99,617	-	99,617
Total revenues	<u>2,076,737</u>	<u>-</u>	<u>2,076,737</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	340,792	-	340,792
Public Safety	2,423,534	-	2,423,534
Transportation	332,193	-	332,193
Economic and physical development	80,668	-	80,668
Environmental protection	71,246	-	71,246
Culture and recreational	280,822	-	280,822
Cemetery	18,456	-	18,456
<b>Debt Service:</b>			
Principal	4,669	-	4,669
Interest and other charges	104	-	104
Capital Outlay	312,584	57,892	370,476
Total expenditures	<u>3,865,068</u>	<u>57,892</u>	<u>3,922,960</u>
Excess (deficiency) of revenues over expenditures	<u>(1,788,331)</u>	<u>(57,892)</u>	<u>(1,846,223)</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Contributions from General Fund	(57,892)	57,892	-
Fund balance appropriation	-	-	-
Proceeds from long-term debt, net	-	-	-
Total other financing sources and uses	<u>(57,892)</u>	<u>57,892</u>	<u>-</u>
Net change in fund balances	(1,846,223)	0	(1,846,223)
Fund balances-beginning	5,158,044	-	5,158,044
Fund balances - ending	<u>\$ 3,311,821</u>	<u>\$ 0</u>	<u>\$ 3,311,821</u>

(continued)

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2015

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Net change in fund balances - total governmental funds: \$ (1,846,223)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$370,476) was exceeded by depreciation (\$132,813) in the current period. 237,663

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 11,720

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.  
Change in unavailable revenue for property taxes 546

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 4,669

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Current pension costs	18,945
Pension expense	13,759
Compensated absences	38,716

Total changes in net position of governmental activities \$ (1,520,205)

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --BUDGET AND ACTUAL  
For the year ended June 30, 2015

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,042,641	\$ 1,070,501	\$ 1,080,555	\$ 10,054
Other taxes and licenses	677,795	685,948	700,240	14,292
Unrestricted intergovernmental	12,361	12,361	12,449	88
Restricted intergovernmental	94,618	145,608	146,617	1,009
Permits and fees	5,681	5,681	5,033	(648)
Charges for services	29,042	28,043	30,775	2,732
Investment earnings	1,500	1,500	1,451	(49)
Miscellaneous	13,680	96,411	99,617	3,206
Total revenues	<u>1,877,318</u>	<u>2,046,053</u>	<u>2,076,737</u>	<u>30,684</u>
<b>EXPENDITURES</b>				
Current:				
General government	200,628	380,130	340,792	\$ 39,338
Public Safety	939,176	2,436,572	2,423,534	13,038
Transportation	426,157	342,156	332,193	9,963
Economic and physical development	85,650	85,650	80,668	4,982
Environmental protection	71,705	71,705	71,246	459
Culture and recreation	254,361	283,358	280,822	2,536
Cementary	26,323	18,500	18,456	44
Debt Service:				
Principal	-	4,669	4,669	-
Interest and other charges	-	104	104	-
Capital Outlay	-	370,476	370,476	0
Total expenditures	<u>2,004,000</u>	<u>3,993,320</u>	<u>3,922,960</u>	<u>70,360</u>
Excess(deficiency) of revenues over expenditures)	<u>(126,682)</u>	<u>(1,947,267)</u>	<u>(1,846,223)</u>	<u>101,044</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Contributions from General Fund	-	-	-	-
Proceeds from installment contracts	39,446	39,446	-	(39,446)
Fund balance appropriation	87,236	1,907,821	-	(1,907,821)
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources and uses	<u>126,682</u>	<u>1,947,267</u>	<u>-</u>	<u>(1,947,267)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,846,223)</u>	<u>\$ (1,846,223)</u>
Fund balances-beginning			5,158,044	
Fund balances-ending			<u>\$ 3,311,821</u>	

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



TOWN OF SPRUCE PINE, NORTH CAROLINA  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
June 30, 2015

	<u>Enterprise Funds</u>
	<u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 474,221
Accounts receivable, net	188,373
Due (to) from other funds	-
Prepaid expenses	1,200
Total current assets	663,794
Non-current assets:	
Bond issue cost, net	6,636
Capital Assets:	
Land and other non-depreciable assets	48,845
Other capital assets, net of depreciation	12,389,571
Construction in progress	2,696,523
Total capital assets, net	15,134,939
Total non-current assets	15,141,575
Total assets	15,805,369
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	83,812
Customer deposits	42,718
Bonds, notes and loans payable	175,831
Total current liabilities	302,361
Non-current liabilities:	
Note payable	436,680
Bonds, notes and loans payable	363,559
Total non-current liabilities	800,239
Total liabilities	1,102,600
<b>NET POSITION</b>	
Net Invested in capital assets	14,158,869
Restricted for other purposes	
Unrestricted	543,900
Total net position	\$ 14,702,769

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2015

	<u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,150,561
Miscellaneous	16,233
Total operating revenues	<u>2,166,794</u>
<b>OPERATING EXPENSES</b>	
Administration	1,038,651
Water treatment and distribution	421,557
Wastewater collection and treatment	377,758
Depreciation	448,409
Total operating expenses	<u>2,286,375</u>
Operating income (loss)	(119,581)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	8
Interest expense	(25,279)
Bond amortization costs	(2,474)
Total non-operating revenue (expenses)	<u>(27,745)</u>
Income (loss) before contributions and transfers	(147,326)
Capital contributions	<u>290,809</u>
Change in net position	143,483
Total net position - beginning	14,559,286
Total net position - ending	<u>\$ 14,702,769</u>

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

TOWN OF SPRUCE PINE, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2015

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,189,664
Cash paid for goods and services	(1,842,030)
Cash paid to or on behalf of employees for services	-
Customer deposits received	732
Customer deposits returned	-
Net cash provided (used) by operating activities	<u>348,366</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Short-term borrowings from other funds	-
Repayment of short-term borrowings	(256,757)
Total cash flows from noncapital financing activities	<u>(256,757)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(190,134)
Principal paid on bond maturities and equipment contracts	(194,385)
Interest paid on bond maturities and equipment contracts	(25,279)
Capital contributions	290,809
Loan proceeds	10,239
Net cash provided (used) by capital and related financing activities	<u>(108,750)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	8
Net increase (decrease) in cash and cash equivalents	<u>(17,133)</u>
Beginning of the year	491,354
End of the year	<u>\$ 474,221</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	(119,581)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	448,409
Changes in assets and liabilities:	
(Increase) decrease in prepaid expenses	-
(Increase) decrease in accounts receivable	22,870
Increase (decrease) in accounts payable and accrued liabilities	(4,064)
Increase (decrease) in bonds payable current	-
Increase (decrease) in customer deposits	732
Total adjustments	<u>467,947</u>
Net cash provided by operating activities	<u>\$ 348,366</u>

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

NOTES TO THE FINANCIAL  
STATEMENTS

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Spruce Pine and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

**Town of Spruce Pine ABC Board**

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Spruce Pine ABC Board, 12344 South 226 Highway, Spruce Pine, NC 28777

**B. Basis of Presentation – Fund Accounting**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees 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

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

The Town reports the following major governmental funds:

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

**Police Department Building Capital Projects Fund.** This fund is used to account for construction of a new police department building.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 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 expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Mitchel County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 and Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Enterprise Fund Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

*1. Deposits and Investments*

All deposits of the Town and the ABC Board are made in board-designated official depositories and are collateralized as required by State law [G.S. 159-31]. The Town and the ABC Board 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 and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to the principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government of 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, a SEC-registered mutual fund. Investments are stated at fair value as determined by quoted market prices. The securities of NCCMT – Cash Portfolio, SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT – Term Portfolio 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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.



**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

*3. Ad Valorem Taxes Receivable*

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

*4. Allowances for Doubtful Accounts*

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

*5. Inventory*

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventories of the Town's Enterprise Fund and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than purchased.

*6. 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: all fixed assets \$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 have not been recorded under the allowable exemption for Phase III governments in GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

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

Asset Class	Estimated Useful Lives (years)
Infrastructure	50
Buildings	50
Improvements	20
Vehicles	3 -5
Furniture and equipment	5 - 7
Computer equipment	3

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows.

	Useful Life	Cost	Accumulated Depreciation	Net Amount
Equipment	5-10 yrs.	\$ 79,479	\$ 52,047	\$ 27,431
Land	n/a	40,000	-	40,000
Buildings & Leasehold Improvements	10-39 yrs.	<u>333,431</u>	<u>19,751</u>	<u>313,681</u>
	Total	<u>\$ 452,910</u>	<u>\$ 71,798</u>	<u>\$ 381,112</u>

*7. Deferred outflows/inflows of resources*

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

*8. Long-Term Obligations*

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

*9. Compensated Absences*

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, and expense and 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

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

*10. Net Position/Fund Balances*

Net Position

Net Position in government-wide and proprietary fund financial statements are classified as net invested in capital assets, net of related debt; 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 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:

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

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

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

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

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

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

- Assigned Fund Balance – portion of fund balance that the Town of Spruce Pine 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.

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

*11. 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 Spruce Pine's employer contributions are recognized when due and the Town of Spruce Pine 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.

**NOTE 2: DETAIL NOTES ON ALL FUNDS**

A. Assets

*1. Deposits*

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

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

NOTE 2: DETAIL NOTES ON ALL FUNDS (cont.)

At June 30, 2015, the Town's deposits had a carrying amount of \$3,841,627 and a bank balance of \$3,920,286. Of the bank balance, \$500,000 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 funds totaled \$300.

At June 30, 2015 the ABC Board's deposits had a carrying amount of \$88,310 and a bank balance of \$120,790. All of the bank balance was covered by federal depository insurance.

*2. Investments*

At June 30, 2015, the Town of Spruce Pine had \$177,139 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

*3. Receivables – Allowances for Doubtful Accounts*

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

General fund	
Taxes Receivable	\$ 83,466
Vehicle Taxes Receivable	-
Enterprise fund	-
Total	\$ 83,466

*4. Capital Assets*

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2015 was as shown on table on the following page.

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

NOTE 2: DETAIL NOTES ON ALL FUNDS (cont.)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	496,641	52,000	-	548,641
Construction in progress	445,199	57,892	445,199	57,892
Total capital assets not being depreciated	<u>941,840</u>	<u>109,892</u>	<u>445,199</u>	<u>606,533</u>
<b>Capital assets being depreciated:</b>				
Buildings	179,307	740,386	-	919,693
Building improvements	339,858	-	-	339,858
Equipment	536,162	17,396	-	553,558
Recreation park	766,513	-	-	766,513
Furniture and maintenance equipment	21,030	-	-	21,030
Vehicles	565,183	-	-	565,183
Infrastructure	599,942	-	-	599,942
Total capital assets being depreciated	<u>3,007,995</u>	<u>757,782</u>	<u>-</u>	<u>3,765,777</u>
<b>Less accumulated depreciation for:</b>				
Buildings	167,007	14,808	-	181,815
Building improvements	140,311	10,783	-	151,094
Equipment	493,582	9,883	-	503,466
Recreation park	360,963	3,038	-	364,002
Furniture and maintenance equipment	21,030	-	-	21,030
Vehicles	451,850	43,016	-	494,865
Infrastructure	488,628	51,285	-	539,913
Total accumulated depreciation	<u>2,123,371</u>	<u>132,813</u>	<u>-</u>	<u>2,256,185</u>
Total capital assets being depreciated, net	<u>884,623</u>			<u>1,509,592</u>
<b>Governmental activity capital assets, net</b>	<u><u>1,826,463</u></u>			<u><u>2,116,125</u></u>

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

General government	\$ 44,579
Public safety	19,587
Transportation	30,665
Economic development	5,337
Culture and recreation	<u>32,645</u>
Total depreciation expense	<u><u>\$132,813</u></u>

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

NOTE 2: DETAIL NOTES ON ALL FUNDS (cont.)

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	48,845	-	-	48,845
Construction in progress	2,501,044	195,479	-	2,696,523
Total capital assets not being depreciated	<u>2,549,889</u>	<u>195,479</u>	<u>-</u>	<u>2,745,368</u>
<b>Capital assets being depreciated:</b>				
Water and sewer systems	19,846,053	3,500	-	19,859,553
Water meters	280,542	-	-	280,542
Equipment	399,712	-	-	399,712
Total capital assets being depreciated	<u>20,526,307</u>	<u>13,500</u>	<u>-</u>	<u>20,539,807</u>
<b>Less accumulated depreciation for:</b>				
Water and sewer systems	7,210,066	414,019	-	7,624,081
Water meters	205,166	9,458	-	214,625
Equipment	286,599	24,931	-	311,530
Total accumulated depreciation	<u>7,701,831</u>	<u>448,408</u>		<u>8,150,236</u>
Total capital assets being depreciated, net	<u>12,824,476</u>			<u>12,389,571</u>
Business-type capital assets, net	<u>15,374,372</u>			<u>15,134,939</u>

**B. Liabilities**

*1. Pension Plan and Postemployment Obligations*

*a. Local Government Employees' Retirement System*

*Plan Description.* The Town of Spruce Pine 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 Government 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](http://www.osc.nc.gov).

*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

**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**NOTE 2: DETAIL NOTES ON ALL FUNDS (cont.)**

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. 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 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 Spruce Pine 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 Spruce Pine's contractually required contribution rate for the year ended June 30, 2015, was 7.14% of compensation for law enforcement officers and 6.67% for general employees, 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 Spruce Pine were \$62,209 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 \$98,488 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension



**TOWN OF SPRUCE PINE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2015

NOTE 2: DETAIL NOTES ON ALL FUNDS (cont.)

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 0.0167%.

For the year ended June 30, 2015, the Town recognized pension expense of \$11,720. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 10,761
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	229,277
Changes in proportion and differences between Town contributions and proportionate share of contributions	22,125	-
Town contributions subsequent to the measurement date	-	-
Total	\$ 22,125	\$ 240,038

\$22,125 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	\$ 240,038
2017	-
2018	-
2019	-
2020	-
Thereafter	-