

**TOWN OF WEST JEFFERSON
NORTH CAROLINA
AUDIT REPORT
JUNE 30, 2019**

Priscilla L. Norris, CPA

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TOWN OF WEST JEFFERSON, NORTH CAROLINA

TOWN COUNCIL
AS OF JUNE 30, 2019

Dale Baldwin, Mayor
Calvin Green
Jerry McMillan
John K. Reeves
Stephen Shoemaker
Brett Summey (DOD 5/16/19)

ADMINISTRATIVE & FINANCIAL STAFF
Brantley Price, Town Manager & Tax Collector
Heather Holdaway, Finance Officer

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Priscilla L. Norris, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of Aldermen
Town of West Jefferson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business- type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of West Jefferson'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 the financial statements based on our audit. We did not audit the financial statements of the West Jefferson ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the West Jefferson ABC Board, is based solely on the report of the other auditors. 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 misstatements. The financial statements of the West Jefferson ABC Board and the West Jefferson TDA were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson as of June 30, 2019, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 consists 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 West Jefferson's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards 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 January 30, 2020, on our consideration of the Town of West Jefferson'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 the Town of West Jefferson's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Priscilla L. Norris". The signature is written in dark ink and is positioned above a horizontal line.

Priscilla L. Norris, CPA

Jefferson, NC

January 30, 2020

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As management of the Town of West Jefferson, we offer readers of the Town of West Jefferson's financial statements this narrative overview and analysis of the financial activities of the Town of West Jefferson for the fiscal year ended June 30, 2019. 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.

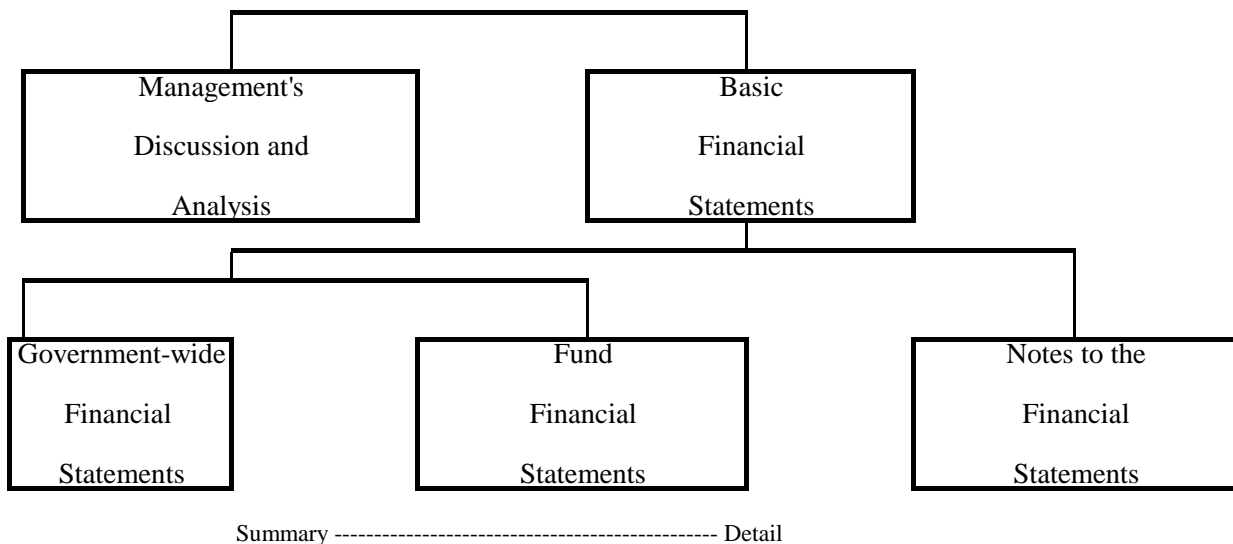
Financial Highlights

- * The assets (and deferred outflows of resources) of The Town of West Jefferson exceeded its liabilities (and deferred inflows of resources) at the close of the fiscal year by \$14,836,655 (net position).
- * The government's total net position increased by \$266,573 due to increases in both governmental activities and business-type activities net positions.
- * As of the close of the current fiscal year, the Town of West Jefferson's governmental funds reported combined ending fund balances of \$2,287,014, which includes a net change of \$15,505 in comparison with the prior year. Approximately 31.95 percent of this total amount, or \$730,829, is non-spendable or restricted.
- * At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,409,208 or 58.91 percent of total general fund expenditures for the fiscal year.
- * The Town of West Jefferson's total debt increased by \$504,338 (65.5%) during the current fiscal year. The key factors in this increase were new debt of \$689,000, less principal payments of \$184,662.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of West Jefferson'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 West Jefferson.

**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.

TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019

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.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of West Jefferson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or Accordance with Uniform Guidance and the State the Town's budget ordinance. All of the funds of the Town of West Jefferson 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Proprietary Funds - The Town of West Jefferson has one proprietary fund, an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of West Jefferson uses an enterprise fund to account for its water and sewer activity. This fund is the same as the 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 the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in Exhibit 9 of this report.

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

Government-Wide Financial Analysis

**Town of West Jefferson Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,430,863	\$ 2,443,298	\$ 1,595,392	\$ 1,298,176	\$ 4,026,255	\$ 3,741,474
Capital assets	3,052,387	3,063,634	9,785,458	8,904,476	12,837,845	11,968,110
Deferred outflows of resources	183,886	123,705	51,495	33,740	235,381	157,445
Total assets & deferred outflows of resources	\$ 5,667,136	\$ 5,630,637	\$ 11,432,345	\$ 10,236,392	\$ 17,099,481	\$ 15,867,029
Long-term liabilities outstanding	\$ 546,529	\$ 546,710	\$ 400,563	\$ 490,160	\$ 947,092	\$ 1,036,870
Other liabilities	130,237	165,211	1,144,540	59,176	1,274,777	224,387
Deferred inflows of resources	35,187	30,294	5,770	5,396	40,957	35,690
Total liabilities & deferred inflows of resources	\$ 711,953	\$ 742,215	\$ 1,550,873	\$ 554,732	\$ 2,262,826	\$ 1,296,947
Net position:						
Net Investment in capital assets	\$ 2,799,846	\$ 2,737,272	\$ 9,452,931	\$ 8,461,115	\$ 12,252,777	\$ 11,198,387
Restricted	730,829	864,984			730,829	864,984
Unrestricted	1,424,508	1,286,166	428,541	1,220,545	1,853,049	2,506,711
Total net position	\$ 4,955,183	\$ 4,888,422	\$ 9,881,472	\$ 9,681,660	\$ 14,836,655	\$ 14,570,082

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets (and deferred outflows) of the Town of West Jefferson exceeded liabilities (and deferred inflows) by \$14,836,655 as of June 30, 2019. The Town's net position increased by \$266,573 for the fiscal year ended June 30, 2019. However, the largest portion (82.58%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of West Jefferson uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town of West Jefferson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of West Jefferson's net position \$730,829 (4.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,853,049 is unrestricted.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

* West Jefferson's property tax collection rate decreased slightly from 98.03% to 97.37%, for property other than vehicles.

* Total tax revenues were higher than budgeted by \$68,802, and higher than last year by \$46,090.

**Town of West Jefferson Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 21,771	\$ 23,939	\$ 1,013,943	\$ 1,039,673	\$ 1,035,714	\$ 1,063,612
Operating grants and contributions	414,672	179,819	-	-	414,672	179,819
Capital grants and contributions	-	239,298	247,413	-	247,413	239,298
General revenues:						
Property taxes	1,354,915	1,308,825			1,354,915	1,308,825
Other taxes	-	-				-
Grants and contributions not restricted to specific programs	726,314	656,744			726,314	656,744
Other	47,920	41,823	17,582	9,415	65,502	51,238
Total revenues	\$ 2,565,592	\$ 2,450,448	\$ 1,278,938	\$ 1,049,088	\$ 3,844,530	\$ 3,499,536
Expenses:						
General government	\$ 462,649	\$ 431,503	\$ -	\$ -	\$ 462,649	\$ 431,503
Public safety	829,488	741,219			829,488	741,219
Highways/streets	598,968	629,445			598,968	629,445
Economic development	344,350	314,298			344,350	314,298
Environmental protection	108,212	90,070			108,212	90,070
Cultural and recreation	146,575	134,137			146,575	134,137
Interest on long-term debt	8,589	5,107			8,589	5,107
Water and sewer		-	1,079,126	1,036,086	1,079,126	1,036,086
Total expenses	\$ 2,498,831	\$ 2,345,779	\$ 1,079,126	\$ 1,036,086	\$ 3,577,957	\$ 3,381,865
Increase in net position before transfers	66,761	104,669	199,812	13,002	266,573	117,671
Net Position, July 1, as previously stated	4,888,422	4,783,753	9,681,660	9,668,658	14,570,082	14,452,411
Net position, June 30	\$ 4,955,183	\$ 4,888,422	\$ 9,881,472	\$ 9,681,660	\$ 14,836,655	\$ 14,570,082

Governmental activities: Governmental activities increased the Town's net position by \$66,761, which is 25.05% of total growth. Key elements of this increase are steady revenue sources.

Business-type activities: Business-type activities increased the Town of West Jefferson's net position by \$199,812, thereby accounting for 74.95% of the total growth in the net position of the Town. A key element of this increase is capital grants for construction projects.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of West Jefferson'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 West Jefferson's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of West Jefferson. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,409,208, while total fund balance reached \$2,152,145. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 58.91 percent of total General Fund expenditures, while total fund balance represents 89.97 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of West Jefferson reported a combined fund balance of \$2,287,014 a 6.8 percent increase from last year. The largest contributor to this increase is an increase in General fund operations of \$63,879.

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

Proprietary Fund: The Town of West Jefferson's proprietary fund provides 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 \$428,541. The total change in net position was \$199,812 (increase). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of West Jefferson's business-type activities.

Capital Asset and Debt Administration

Capital assets: The Town of West Jefferson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$12,837,845 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following transactions:

- * Vehicle purchased for Police
- * Vehicle purchased for Fire
- * Servers and computers for Police
- * Body cameras for Police
- * New lawn mower for Park
- * New playground equipment for Park
- * A new sidewalk/walking path, and parking lot
- * Filter and aeration system for Water and Sewer
- * Construction in progress for Water and Sewer Dewatering Project.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Town of West Jefferson Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 414,464	\$ 414,464	\$ 140,780	\$ 140,780	\$ 555,244	\$ 555,244
Buildings and system	429,827	437,857	8,442,659	8,580,060	8,872,486	9,017,917
Improvements other than buildings	1,451,329	1,493,127	-	-	1,451,329	1,493,127
Machinery and equipment	241,846	240,474	76,826	89,757	318,672	330,231
Infrastructure						
Vehicles and motorized equipment	514,921	477,712	15,690	20,920	530,611	498,632
Construction in progress	-	-	1,109,500	72,957	1,109,500	72,957
Total	\$ 3,052,387	\$ 3,063,634	\$ 9,785,455	\$ 8,904,474	\$ 12,837,842	\$ 11,968,108

Additional information on the Town's capital assets can be found in Note III.A.3 and 6 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2019, the Town of West Jefferson had total debt outstanding of \$1,274,061. All of this is debt is backed by the full faith and credit of the Town. The Town also received a bond anticipation loan for water and sewer construction that will be refinanced by Revenue Bonds in July 2019.

**Town of West Jefferson's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchase	\$ 252,540	\$ 326,362	\$ 332,521	\$ 443,361	\$ 585,061	\$ 769,723
Bond anticipation loan			689,000		689,000	-
Total	\$ 252,540	\$ 326,362	\$ 1,021,521	\$ 443,361	\$ 1,274,061	\$ 769,723

The Town of West Jefferson's debt increased by \$504,338 (65.5%) during the past fiscal year, due to new debt of \$689,000, less principal payments of \$184,662.

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 West Jefferson is approximately \$26,000,000.

Additional information regarding the Town of West Jefferson long-term debt can be found in Note III.B.5 of this report.

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Economic Factors FY 2018-2019 and FY 2019-2020 Budget and Rates

The following are some of the economic factors and highlights that had an impact on FY 2018-2019 Budget & Rates.

General Fund

- GE expansion continues to increase our tax base more than estimated which in-turn increased our Tax Revenue.
- Local Option Sales Tax revenue increased from prior year by approximately 6.7%.
- Utility Franchise Tax increased by approximately 4.3% over FY 17-18
- ABC General Distribution- \$35,000 increase over prior year due to continued increase in sales

- Extraordinary Items:
 - GE Incentive - \$145,000
 - New Police Vehicle - \$54,202
 - Storm Drain Repair - \$28,675 - split with Fire Department
 - Additional Paving - \$66,887 plus Powell Bill \$40,348 =\$107,235
 - Paved Maintenance Lot - \$42,075
 - Sidewalk Replacement - \$13,440
 - Mountain Outfitters - Downtown Redevelopment Grant - Final Payment \$199,349

Park

- Budgeted \$65,600 in Fund Balance

- Extraordinary Items:
 - New Mower - \$8,646
 - Purchased new playground equipment, Benches, Picnic Tables - \$22,334
 - Repaved section of park walkway - \$15,437
 - Repaved cemetery roads -\$26,717

Fire Department

- Fund Balance - \$125,000

- Extraordinary Items
 - Storm drain repair Fire Department - \$28,675 - split with Streets
 - New Brush Truck -\$124,636

Capital Project Water/Sewer

- This project is being funded as follows:
 - ARC - \$300,000
 - USDA - \$689,000
 - USDA Grant - \$207,000
 - Town - \$171,625
 - Total Revenues - \$1,367,625
- Expenditures - \$1,367,625
 - Sludge Dewatering Facility - \$603,910
 - Water Supply Well - \$249,406
 - Wade Vannoy Water/Sewer Extension - \$284,294
 - Engineering/Administrative/Contingency - \$230,016

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Water/Sewer

- Approximately a 2.8% decrease in water/sewer revenue - manufacturing with GE continuing to grow and adding additional jobs.
- Extraordinary Items:
 - Purchased transmitters for water meters to upgrade meters from touch read to radio read - \$42,000
 - Replaced water lines/upgraded water plant- \$104,096
 - WWTP belt press rental/sludge removal costs -\$30,425
 - Replaced outer ring aeration equipment at WWTP with Floating units - \$100,641

Budget Highlights for the Fiscal Year End June 30, 2020

General Fund

Revenues

The major source of General Fund revenue is the property tax, accounting for approximately 63.6% of all revenues in the General Fund. The property tax rate will remain at 42 cents per \$100 of valuation, as was in FY 18-19. Of the 42 cents, 39 cents will go to the General Fund and 3 cents to the Park.

- Property Taxes Revenue increase is due to the GE Expansion and Equipment additions
- Local Option Sales Tax is projected to increase 4% over FY 18-19
- Utility Franchise Tax is projected to be flat
- Governor's Budget - \$11,000 - Wayfinding signage
- Fund Balance - \$12,500 - Insurance Funds PD Vehicle

Expenditures

Group health insurance will decrease by 10.4% for FY 19-20, a \$14,400 annual savings, with employee coverage to remain the same, with the Town continuing to pay 100% of the employees cost.

A 3% Cost of Living Adjustment for all employees.

Significant budget items in the General Fund worth noting include:

- \$4,000 - Pay Planning Board \$50/meeting
- \$20,000 - Attorney
- \$4,000 - Facade Grants
- \$3,000 - ALP - Ordinance update
- \$20,000 - Fund Library Parking - split between County, Library & Town of West Jefferson
- \$25,000 - Wayfinding Signage
- \$145,000 - 6th GE Incentive Payment
- \$24,500 - Short Term Debt for purchase of land for new parking lot
- \$1,225 - Short Term Interest for land purchase
- \$44,000 - Fire Department Contribution
- \$48,400 - Add Captain Position to Police Department
- \$59,000 - Purchase of new police car with equipment
- \$27,500 - Detective Vehicle (using \$12,500 insurance settlement)

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

- \$12,600 - Part time employee for streets (May-October)
- \$8,000 - Tool Box & Tools
- \$10,000 -Salt for roads during winter months
- \$60,000 - New Dump Truck For Maintenance
- \$62,250 - Additional paving funds
- \$55,000 - Sidewalk Repair
- \$7,100 - General Fund Contingency Fund
- \$49,400 - Loan Payments Track Hoe, dump truck, street sweeper
- \$7,700 - Interest on loans

Parks

Revenues

Property Taxes comprise the majority of Park Revenues, which is 3 cents of the 42 cents per one hundred dollars in valuation.

Expenditures

Significant budget items in the Park worth noting include:

- \$3,000 - Tennis Court Repair
- \$37,000 - Contingency Fund -Funds used for projects in FY 19-20

Powell Bill

Revenues

Powell Bill revenues are disbursed by the State to the Town into two distributions, one in October and one in January of each year based on a formula which is based upon population and miles of Town-maintained roads. Revenues are budgeted the same as FY 18-19 actual.

Expenditures

We intend to prioritize our street resurfacing of Town streets by those in most need of resurfacing.

Fire Department

Revenues

- Fire Tax flat
 - \$30,000 Possible Grant for Equipment

Expenditures

- \$60,000 - Equipment
- \$4000 - Natural Gas Heaters
- \$15,000 - Paint inside Fire Station/Redo Floors
- \$25,000 - Increase Fire Call pay from \$5 per call to \$15 per call

Water and Sewer Fund

Revenues

Revenues in Water/Sewer are budgeted flat compared to FY 18-19
\$160,000 - Water Fund Balance to Balance Budget
\$135,000 - Transfer from Water to Sewer

**TOWN OF WEST JEFFERSON
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Capital Water Budget - New well, extend water lines
USDA Grant - \$100,000

Capital Sewer Budget - dewatering project at WWTP, extend sewer lines
USDA Grant \$250,000

Expenditures

Significant budget items in the Water/Sewer worth noting include:

- \$100,000 - Capital Budget Water - Funds to complete project.
- \$250,000 - Capital Budget Sewer - Funds to complete project.
- \$100 - Reserve for USDA Project - Water
- \$150 - Reserve for USDA Project - Sewer
- \$51,850- Convert approximately 400 meters to Radio read
- \$20,000 - Parts Filter Plant
- \$12,000 - West Tank Maintenance
- \$12,000 - SCADA upgrade
- \$218,550 - Pay off Revenue Bonds for USDA Loan - Water
- \$470,450 - Pay off Revenue Bonds for USDA Loan - Sewer
- \$10,000 - Future Replacement Meters
- \$100,000 - Miscellaneous Water line/valve Replacement
- \$135,000 - Transfer to Sewer
- \$18,000 - Replacement Pump Beaver Creek Pump Station
- \$25,000 -Dumpster Rental/Dump truck rental -Polymer new dewatering system
- \$15,000 - Return pump replacement
- \$8,000 - Push Camera
- \$27,500 - Replace 2005 Ford F-150
- \$30,000 - Replace sand filters at wastewater plant
- \$41,000 - Skid Steer
- \$50,000 - Repair damaged sewer lines to remove I&I

Requests for information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of West Jefferson, P.O. Box 490, West Jefferson, NC 28694. You can also call (336)246-3551 or visit our website at www.townofwj.com for more information.

**Overview of Component Units
(Discretely Presented)
June 30, 2020**

<u>Name</u>	<u>Date Established</u>	<u>Activity Performed</u>
West Jefferson Tourism Development Authority	July 7, 2005	Promotion of Travel and Tourism
Town of West Jefferson Board of Alcoholic Beverage Control	March 6, 2007	ABC Board

TOWN OF WEST JEFFERSON
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government				
	Governmental	Business-type		Component Units	
				WJ ABC	
	Activities	Activities	Total	Board	WJTDA
ASSETS					
Current Assets:					
Cash and Cash Equivalent	\$ 1,652,586	\$ 1,214,322	\$ 2,866,908	\$ 215,240	\$ 31,485
Cash and Cash Equivalents - Restricted	539,902	33,080	572,982		
Inventories				228,693	
Taxes Receivables (net)	43,969		43,969		
Accrued Interest Receivable on Taxes	3,480		3,480		
Account Receivable (net)	7,787	100,577	108,364		
Due from Other Governments	183,139	247,413	430,552		31,245
Prepaid Expenses					
Total Current Assets	2,430,863	1,595,392	4,026,255	443,933	62,730
Capital Assets:					
Land, Non-Depreciable Improvements, and Construction in Progress	414,464	1,250,280	1,664,744	95,614	
Other Capital Assets, Net of Depreciation	2,637,923	8,535,178	11,173,101	535,056	
Total Capital Assets	3,052,387	9,785,458	12,837,845	630,670	
Total Assets	\$ 5,483,250	\$ 11,380,850	\$ 16,864,100	\$ 1,074,603	\$ 62,730
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows for Pensions	\$ 183,886	\$ 51,495	\$ 235,381	\$ 31,200	\$ -
LIABILITIES					
Current Liabilities:					
Accounts Payable & Accrued Liabilities	58,369	396,377	454,746	69,155	2,204
Due To Other Governments	31,245		31,245	20,520	
Accrued Interest Payable	2,692	15,371	18,063		
Compensated Absences	37,912	10,712	48,624	7,615	
Customer Deposits	19	33,080	33,099		
Bond Anticipation Notes Payable		689,000	689,000		
Long-term Liabilities:					
Net Pension Liability (LGRS)	235,854	68,042	303,896	15,183	
Net Pension Liability (LEO)	58,134		58,134		
Due Within One Year	75,285	110,840	186,125		
Due In More Than One Year	177,256	221,681	398,937		
Total Liabilities	\$ 676,766	\$ 1,545,103	\$ 2,221,869	\$ 112,473	\$ 2,204
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows for Pensions	\$ 28,419	\$ 5,770	\$ 34,189	\$ 79	
Unearned Revenues	6,768		6,768		
Total Deferred Inflows of Resources	\$ 35,187	\$ 5,770	\$ 40,957	\$ 79	\$ -
NET POSITION					
Net Investment in Capital Assets	2,799,846	9,452,931	12,252,777	630,670	
Restricted for:					
Stabilization by State Statute	190,926		190,926		31,245
Public Safety	496,536		496,536		
Transportation	43,367		43,367		
Working Capital				60,841	
Unrestricted	1,424,508	428,541	1,853,049	301,740	29,281
Total Net Position	\$ 4,955,183	\$ 9,881,472	\$ 14,836,655	\$ 993,251	\$ 60,526

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

TOWN OF WEST JEFFERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT				COMPONENT UNITS WJ ABC BOARD WJTDA
					Governmental Activities	Business- Type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 462,649	\$ -	\$ -	\$ -	\$ (462,649)	\$ -	\$ (462,649)		
Public Safety	829,488	593	162,131		(666,764)		(666,764)		
Transportation	598,968		43,911		(555,057)		(555,057)		
Economic Development	344,350	3,418	199,350		(141,582)		(141,582)		
Environmental Protection	108,212	14,481	910		(92,821)		(92,821)		
Cultural and Recreation	146,575	3,279	8,370		(134,926)		(134,926)		
Interest on Long-Term Debt	8,589				(8,589)		(8,589)		
Total Governmental Activities	2,498,831	21,771	414,672	-	(2,062,388)		(2,062,388)		
Business-Type Activities:									
Water and Sewer	1,079,126	1,013,943		247,413		182,230	182,230		
Total Business-Type Activities	1,079,126	1,013,943	-	247,413		182,230	182,230		
Total Primary Government	\$ 3,577,957	\$ 1,035,714	\$ 414,672	\$ 247,413	\$ (2,062,388)	\$ 182,230	\$ (1,880,158)		
Component Units:									
ABC Board	\$ 1,984,339	\$ 2,060,456						\$ 76,117	
Tourism Development Authority	\$ 63,857	\$ -	\$ -	\$ -					\$ (63,857)
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					1,354,915		1,354,915		
Other taxes and licenses					-		-		72,395
Grants and contributions not restricted to specific programs					726,314		726,314		
Unrestricted Investment earnings					23,741	17,582	41,323		454
Miscellaneous					24,179		24,179		-
Transfers (net)									
Total general revenues and transfers					2,129,149	17,582	2,146,731		72,849
Change in Net Position					66,761	199,812	266,573	76,117	8,992
Net Position- Beginning					4,888,422	9,681,660	14,570,082	917,134	51,534
Net Position- Ending					\$ 4,955,183	\$ 9,881,472	\$ 14,836,655	\$ 993,251	\$ 60,526

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 1,482,432	\$ 170,154	\$ 1,652,586
Cash & Cash Equivalents- Restricted	539,902		539,902
Receivables, Net:			
Taxes	40,292	3,677	43,969
Accounts	7,787		7,787
Due from Other Governments	182,747	392	183,139
Total Assets	<u>\$ 2,253,160</u>	<u>\$ 174,223</u>	<u>\$ 2,427,383</u>
LIABILITIES			
Accounts Payable & Accrued Liabilities	\$ 22,692	\$ 35,677	\$ 58,369
Customer Deposit	19		19
Due to Other Governments	31,245		31,245
Total Liabilities	<u>\$ 53,956</u>	<u>\$ 35,677</u>	<u>\$ 89,633</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Receivable	\$ 40,292	\$ 3,677	\$ 43,969
Prepaid Taxes	6,332		6,332
Prepaid Privilege License	435		435
Total Deferred Inflows of Resources	<u>\$ 47,059</u>	<u>\$ 3,677</u>	<u>\$ 50,736</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	\$ 190,534	\$ 392	\$ 190,926
Public Safety - Police	5,900		5,900
Streets - Powell Bill	43,367		43,367
Public Safety Fire Department	490,636		490,636
Committed:			
For Park Maintenance		62,185	62,185
Assigned:			
Appropriated Fund Balance	12,500		12,500
Cemetery Maintenance		28,808	28,808
Capital Projects		43,484	43,484
Unassigned:	1,409,208		1,409,208
Total Fund Balance	<u>\$ 2,152,145</u>	<u>\$ 134,869</u>	<u>\$ 2,287,014</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 2,253,160</u>	<u>\$ 174,223</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total governmental fund balance	\$ 2,287,014
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,052,387
Net Pension Liability	(293,988)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the Statement of Net Position.	48,904
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.	3,480
Liabilities for earned but unavailable revenues in fund statements.	43,969
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(293,145)
Pension Related Deferrals	<u>106,562</u>
Net position of governmental activities	<u><u>\$ 4,955,183</u></u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT 4

	Major Fund General Fund	Total Non - Major Funds	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 1,256,802	\$ 97,664	\$ 1,354,466
Unrestricted Intergovernmental	726,314		726,314
Restricted Intergovernmental	402,776		402,776
Permits & Fees	18,492		18,492
Investment Earnings	23,741	1,462	25,203
Miscellaneous	27,705	10,187	37,892
Total Revenues	\$ 2,455,830	\$ 109,313	\$ 2,565,143
Expenditures			
General Governmental	\$ 452,229	\$ -	\$ 452,229
Public Safety	877,381		877,381
Transportation	525,321		525,321
Economic Development	344,350		344,350
Environmental Protection	108,212		108,212
Cultural & Recreational	1,250	157,687	158,937
Debt Services:			
Principal	73,821		73,821
Interest and Other Charges	9,387		9,387
Capital Outlay			
Total Expenditures	\$ 2,391,951	\$ 157,687	\$ 2,549,638
Excess (Deficiency) of Revenues over Expenditures	\$ 63,879	\$ (48,374)	\$ 15,505
Other Financing Sources (Uses)			
Loan Proceeds	\$ -	\$ -	\$ -
Transfer to Other Funds			-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 63,879	\$ (48,374)	\$ 15,505
Fund Balances:			
Beginning of Year, July 1	\$ 2,088,266	\$ 183,243	\$ 2,271,509
End of Year, June 30	\$ 2,152,145	\$ 134,869	\$ 2,287,014

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT 4

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

Net changes in fund balances - total governmental funds	\$	15,505
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	294,700	
Depreciation expense	<u>(305,947)</u>	(11,247)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	48,904
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (Decrease) in unavailable revenue for tax revenues	4,958
Increase (Decrease) in accrued interest receivable on taxes	(4,508)

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

Issuance of long term debt	-
Repayment of long-term debt	73,821

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.

(Increase) Decrease in compensated absences payable	6,239
(Increase) Decrease in accrued interest payable	798
Pension expense	<u>(67,709)</u>
Total change in net position of governmental activities	<u>\$ 66,761</u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 5

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 1,168,000	\$ 1,188,000	\$ 1,256,802	\$ 68,802
Unrestricted intergovernmental	660,000	660,000	726,314	66,314
Restricted intergovernmental	172,300	433,800	402,776	(31,024)
Permits and fees	19,300	19,300	18,492	(808)
Investment earnings	14,000	14,000	23,741	9,741
Miscellaneous	-	2,500	27,705	25,205
Total Revenues	<u>\$ 2,033,600</u>	<u>\$ 2,317,600</u>	<u>\$ 2,455,830</u>	<u>\$ 138,230</u>
Expenditures:				
Current:				
General Government	452,200	469,450	452,229	17,221
Public Safety	745,100	934,100	877,381	56,719
Transportation	522,200	552,900	525,321	27,579
Economic Development	145,000	344,500	344,350	150
Environmental Protection	100,600	100,600	108,212	(7,612)
Cultural and Recreational	1,000	1,250	1,250	-
Debt service	83,500	83,500	83,208	292
Total Expenditures	<u>2,049,600</u>	<u>2,486,300</u>	<u>2,391,951</u>	<u>94,349</u>
Revenues over (under) expenditures	<u>\$ (16,000)</u>	<u>\$ (168,700)</u>	<u>\$ 63,879</u>	<u>\$ 232,579</u>
Other financing sources (uses):				
Transfer to other funds				-
Loan Proceeds	-	-		-
Appropriated fund balance	16,000	168,700		(168,700)
Total other financing sources (uses)	<u>16,000</u>	<u>168,700</u>	<u>-</u>	<u>(168,700)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,879</u>	<u>\$ 63,879</u>
Fund balances:				
Beginning of year July 1			2,088,266	
End of year June 30			<u>\$ 2,152,145</u>	

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

EXHIBIT 6

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,214,322
Cash and Cash Equivalents - Restricted	33,080
Accounts Receivable - Net	100,577
Due from Other Governments	247,413
Total Current Assets	<u>1,595,392</u>

Noncurrent Assets

Capital Assets - Net	9,785,458
Total Noncurrent Assets	<u>9,785,458</u>

Total Assets	<u>\$ 11,380,850</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Deferrals	<u>\$ 51,495</u>
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LIABILITIES

Current Liabilities

Accounts Payable/Accrued Liabilities	\$ 396,377
Note Interest Accrued	15,371
Compensated Absences	10,712
Current Portion of Long-Term Notes	110,840
Bond Anticipation Notes Payable	689,000
Liabilities Payable from Restricted Assets:	
Customer Deposits	33,080
Total Current Liabilities	<u>1,255,380</u>

Noncurrent Liabilities

Net Pension Liabilities	68,042
Noncurrent Portion of Long-Term Notes	221,681
Total Noncurrent Liabilities	<u>289,723</u>

Total Liabilities	<u>\$ 1,545,103</u>
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DEFERRED INFLOWS OF RESOURCES

Pension Deferrals	<u>\$ 5,770</u>
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NET POSITION

Net Investment in Capital Assets	\$ 9,452,931
Unrestricted	428,541
Total Net Position	<u>\$ 9,881,472</u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>ENTERPRISE</u>
Operating Revenues:	
Charges for Services - Water	\$ 525,586
Charges for Services - Sewer	466,578
Water & Sewer Taps	17,100
Other Operating Revenue	<u>4,679</u>
Total Operating Revenue	<u>\$ 1,013,943</u>
Operating Expenses:	
Water Department	391,319
Sewer Department	361,904
Depreciation	<u>299,929</u>
Total Operating Expenses	<u>\$ 1,053,152</u>
Operating Income (Loss)	\$ (39,209)
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	17,582
Interest on Long-Term Debt	<u>(25,974)</u>
Income Before Transfers and Capital Contributions	\$ (47,601)
Grants and Other Capital Contributions	
Federal and State Capital Grant	247,413
Transfer From General Fund	<u></u>
Change in Net Position	\$ 199,812
Total Net Position, beginning	<u>9,681,660</u>
Total Net Position, ended	<u><u>\$ 9,881,472</u></u>

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>ENTERPRISE</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,023,568
Cash Paid for Goods and Services	(443,711)
Cash Paid to /for Employees	(245,276)
Customer Deposits Received	15,343
Customer Deposits Returned	(9,893)
Net Cash Provided by Operating Activities	<u>\$ 340,031</u>
Cash Flows from Noncapital Financing Activities:	
Transfer From General Fund	\$ -
Net Cash Received from Noncapital Financing Activities	<u>\$ -</u>
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital (Grants Received)	\$ -
Acquisition of Capital Assets	(863,621)
Principal Paid on Bonds and Equipment Contracts	(110,840)
Bond Anticipation Issued	689,000
Interest Paid on Bonds and Equipment Contracts	(12,724)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (298,185)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>\$ 17,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 59,428
Cash and Cash Equivalents at Beginning of Year	<u>1,187,974</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,247,402</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	<u>\$ (39,209)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 299,929
Pension Expense	17,467
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	9,625
Increase (Decrease) in Accounts Payable	63,597
Increase (Decrease) in Customer Deposits	5,450
Increase (Decrease) in Compensated Absences	(3,222)
Current Year Contribution to Pension	(13,606)
Total Adjustments	<u>\$ 379,240</u>
Net Cash Provided by Operating Activities	<u><u>\$ 340,031</u></u>

Noncash investing, capital, and financing activities: none.

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of West Jefferson 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 West Jefferson is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The West Jefferson TDA and the West Jefferson ABC Board are presented as if they are separate proprietary funds of the Town (discrete presentation). The discretely presented component units of the Town issue separately audited financial statements, copies of which may be obtained from the Town's finance office at PO Box 490, West Jefferson, NC 28694.

<u>Component Unit</u>	<u>Brief Description of Activities and Relationship to the Town</u>
West Jefferson Tourism Development Authority	The West Jefferson TDA was organized to promote travel and tourism in the Town of West Jefferson. The Town's Board of Aldermen appoints the three member board of the Authority to serve two - year terms. The Authority collects a 3% room occupancy tax in order to promote travel, tourism, and conventions, sponsor tourist - related events and activities, and finance tourist - related capital projects in the Town.
Town of West Jefferson Board of Alcoholic Beverage Control	The ABC Board operates one liquor store, and through its law enforcement division, investigates violations of North Carolina ABC laws. The members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required to distribute its surplus to the General Fund of the Town.

B. Basis of Presentation

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

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

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Cemetery Special Revenue Fund - This fund is used to account for cemetery plot sales, used for the care of the municipal cemetery.

Park Special Revenue Fund - This fund is used to account for the care and maintenance of the Town Park which is primarily funded by a percentage of ad valorem taxes.

Capital Project Fund - This fund is used to account for the construction of governmental-type capital projects.

The Town reports the following major enterprise fund:

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

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges. In accordance with Uniform Guidance and the State special assessments. Internally dedicated resources are reported as general revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town 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 service, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
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The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 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 because the tax is levied by Ashe 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. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by 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 position available to finance the program. It is the Town's policy to first apply cost - reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Park (Special Revenue) Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The Budget Officer may transfer amounts up to \$10,000 between departments within the same fund, but must make an official report to the governing board. All amendments 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, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component units 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 (NCCMT).

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
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EXHIBIT 9

cash and cash equivalents. The Town's component units consider all high liquid investments with a maturity of three months or less when purchased to be 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 and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136 - 41.4. Fire department funds are classified as restricted cash because the funds are mainly from fire tax revenues collected and remitted by the County of Ashe for fire department use only. Police funds are classified as restricted cash because they can only be expended for public safety purposes.

<u>Town of West Jefferson Restricted Cash</u>	
Governmental Activities	
General Fund	
Police	\$ 5,899
Streets	43,366
Fire	490,637
Total Governmental Activities	<u>\$ 539,902</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 33,080
Total Business-type Activities	<u>\$ 33,080</u>
Total Restricted Cash	<u>\$ 572,982</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the Town's General Fund consist of expendable supplies that are recorded as expenditures when purchased. Inventories in the enterprise fund are considered immaterial and, therefore, are recorded as expenditures when purchased. Inventories of the ABC Board are valued at the lower of cost (FIFO) or market.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital asset purchases. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	20
Vehicles	5
Furniture & equipment	10
Computer equipment	3
Computer software	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion - contributions made to the pension plan in the 2019 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 until then. The Town has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, prepaid business registrations, and deferrals of pension expense.

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 premiums or discount.

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

10. Compensated Absences

The vacation policy of the Town is to assign vacation days at the beginning of the calendar year, based on length of service. No more than 30 days (240 hours) of accumulated vacation leave may be carried forward to the next calendar year. Any excess will be converted to sick leave. The Town's liability for accumulated earned vacation as of the end of the fiscal year is recorded in the government-wide and proprietary fund financial statements on a FIFO basis.

The Town's sick leave policy provides for an unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any 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 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 balance 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. Nonspendable fund balance was zero at year end.

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8 (a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

Restricted for Public Safety - Police - portion of fund balance that is restricted by revenue source for certain law enforcement expenditures.

Restricted for Public Safety - Fire Department - portion of fund balance that is restricted by revenue source for fire department expenditures.

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). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Park Maintenance - portion of fund balance that is committed for the care and maintenance of the municipal park. A portion of ad valorem taxes is budgeted each year for this purpose.

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
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EXHIBIT 9

Assigned for Capital Projects - portion of fund balance that has been assigned by the Board for governmental fund type capital projects.

Assigned for Cemetery Maintenance - portion of fund balance that has been assigned by the Board for special care and maintenance of the municipal cemetery, funded by cemetery plot sales.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

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

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance - Related Legal Contractual Provisions

There were no instances of material matters of noncompliance with federal and State General Statute requirements.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for environmental protection activities by \$7,612. This over-expenditure occurred because of an error in accounts payable accruals at June 30, 2018. One monthly payment for contracted garbage services for the prior year is expensed in the current year.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount \$3,439,440 and a bank balance of \$3,514,695. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019 the Town's petty cash fund totaled \$450.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT 9

2. Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2019</u>
General Fund-Accounts Receivable	\$ 278
Enterprise Fund - Accounts Receivable	587
General Fund - Taxes Receivable	20,700
Total	<u>\$ 21,565</u>

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 414,464	\$ -	\$ -	\$ 414,464
Construction in progress				-
Total capital assets not being depreciated	414,464	-		414,464
Capital assets being depreciated:				
Building	559,520			559,520
Other improvements	2,427,444	70,952		2,498,396
Equipment	800,537	44,909		845,446
Vehicles and motorized equipment	2,006,076	178,839	37,604	2,147,311
Computer equipment	30,902			30,902
Infrastructure				
Total capital assets being depreciated	5,824,479	294,700	37,604	6,081,575
Less accumulated depreciation for:				
Building	121,663	8,030		129,693
Other improvements	934,317	112,750		1,047,067
Equipment	560,063	43,537		603,600
Vehicles and motorized equipment	1,528,364	141,630	37,604	1,632,390
Computer equipment	30,902			30,902
Infrastructure				
Total accumulated depreciation	3,175,309	305,947	37,604	3,443,652
Total capital assets being depreciated, net	2,649,170			2,637,923
Governmental activity capital assets, net	<u>\$ 3,063,634</u>			<u>\$ 3,052,387</u>

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

General government	\$ 17,573
Public safety	133,660
Transportation	128,254
Cultural and recreational	26,460
Total depreciation expense	<u>\$ 305,947</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
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Business-type activities:

Water and Sewer Fund

Capital assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 140,780	\$ -	\$ -	\$ 140,780
Construction in progress	62,137	1,047,363	-	1,109,500
Total capital assets not being depreciated	202,917	1,047,363	-	1,250,280

Capital assets being depreciated:

Land Improvements	13,074			13,074
Plant and distribution systems	14,262,791	133,547		14,396,338
Furniture and maintenance equipment	651,266			651,266
Vehicles	99,313			99,313
Total capital assets being depreciated	15,026,444	133,547	-	15,159,991

Less accumulated depreciation for:

Land Improvements	13,074			13,074
Plant and distribution systems	5,671,911	281,768		5,953,679
Furniture and maintenance equipment	561,509	12,931		574,440
Vehicles	78,393	5,230		83,623
Total accumulated depreciation	6,324,887	299,929	-	6,624,816
Total capital assets being depreciated, net	8,701,557			8,535,175

Business-type activities capital assets, net

\$ 8,904,474	\$ 9,785,455
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Construction Commitments

The government has active construction projects as of June 30, 2019. At the year-end, the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Water & Sewer Project		
Sludge Press/Well/W&S Line Extension	\$ 1,065,172	\$ 204,854
	<u>\$ 1,065,172</u>	<u>\$ 204,854</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 95,614	\$ -	\$ -	\$ 95,614
Construction in progress	147,682		147,682	-
Total capital assets not being depreciated	243,296	-	147,682	95,614
Capital assets being depreciated:				
Building	296,665	155,319		451,984
Building & Improvements	201,884			201,884
Machinery & Equipment	105,245	24,077		129,322
Furniture and Fixtures		11,913		11,913
Total capital assets being depreciated	603,794	191,309	-	795,103

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Less accumulated depreciation for :

Building	53,449	7,695	61,144
Building & Improvements	93,030	10,430	103,460
Machinery & Equipment	80,844	12,290	93,134
Furniture & Fixtures		2,310	2,310
Total accumulated depreciation	227,323	32,725	260,048
Total capital assets being depreciated, net	376,471		535,055

ABC capital assets, net	<u>\$ 619,767</u>	<u>\$ 630,669</u>
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B. Liabilities

1. Pension Plan Obligations and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of West Jefferson is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at 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 with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of West Jefferson employees are required to contribute 6% of their

TOWN OF WEST JEFFERSON, NORTH CAROLINA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of West Jefferson's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Town of West Jefferson were \$60,749 for the year ended June 30, 2019.

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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$303,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, 2018, the Town's proportion was 0.01281% which was a decrease of 0.00107% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$76,808. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,884	\$ 1,573
Changes of assumptions	80,643	
Net difference between projected and actual earnings on pension plan investments	41,717	
Changes in proportion and differences between Town contributions and proportionate share of contributions		24,197
Town contributions subsequent to the measurement date	60,749	
Total	<u>\$ 229,993</u>	<u>\$ 25,770</u>

The \$60,749 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	72,076
2021	45,598
2022	4,797
2023	21,001
2024	
Thereafter	
	<u>\$ 143,472</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

Actuarial Assumptions . The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate . The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 729,987	\$ 303,897	\$ (52,150)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of West Jefferson administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	8

A separate report was not issued for the plan, because the Town is not currently funding the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The Discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 base rates projected to the valuation date using MP-2015, projected forward generationally.

Contributions

The Town is required by Article 12D of G.S Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no Contributions made by employees. The Town paid zero, as no benefits came due for the reporting period.

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

At June 30, 2019 the Town reported a total liability of \$58,134. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$8,369.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,451
Changes of assumptions	3,628	3,968
Benefits payments and plan administrative expense made subsequent to the measurement date	1,760	
Total	<u>\$ 5,388</u>	<u>\$ 8,419</u>

The amount of \$1,760 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to be Recognized in Pension Expense
Year ended June 30:			
2020	\$ 937	\$ 1,729	\$ (792)
2021	937	1,729	(792)
2022	937	1,729	(792)
2023	817	1,481	(664)
2024		875	(875)
Thereafter		876	(876)
Total	<u>\$ 3,628</u>	<u>\$ 8,419</u>	<u>\$ (4,791)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 65,787	\$ 58,134	\$ 51,391

Law Enforcement Officers' Special Separation Allowance

	2019
Beginning balance	\$ 55,099
Service cost	7,420
Interest on the total pension liability	1,741
Changes of benefit terms	
Differences between expected and actual experience in the measurement of total pension liability	(2,572)
Changes of assumptions or other inputs	(3,554)
Benefit payments	
Other changes	
Ending balance of total pension liability	<u>\$ 58,134</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S population. The health mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 76,808	\$ 8,369	\$ 85,177
Pension Liability	303,897	58,134	362,031
Proportionate share of the net pension liability	0.01281%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 46,884	\$ -	\$ 46,884
Changes of assumptions	80,643	3,628	84,271
Net difference between projected and actual earnings on plan investments	41,717	-	41,717
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	60,749	1760	62,509
Total Deferred Outflows of Revenues	<u>229,993</u>	<u>5,388</u>	<u>235,381</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 1,573	\$ 4,451	\$ 6,024
Changes of assumptions	-	3,968	3,968
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	24,197	-	24,197
Total Deferred Inflows of Revenues	<u>\$ 25,770</u>	<u>\$ 8,419</u>	<u>\$ 34,189</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for law enforcement officers the year ended June 30, 2019 were \$25,832, which consisted of \$13,172 from the Town and \$12,660 from the law enforcement officers. The Town has also elected to include general employees in the plan as well. Contributions for general employees for the year ended June 30, 2019 were \$29,005, which consisted of \$24,775 from the Town and \$4,230 from general employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of West Jefferson, to the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The Town pays the required contribution for the West Jefferson Fire Department, which totaled \$18,235 for the fiscal year ended June 30, 2019. Of this amount, approximately \$16,000 is due to buying back time for members who were omitted from the roster for periods varying from 9 months to 10 years and 3 months. The State, a nonemployee contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Postemployment Benefits

Health Care Benefits

The Town of West Jefferson's health insurance plan only allows for state continuation coverage of up to 18 months after retirement. The Town does not pay for those benefits. Therefore, the Town has no Other Post-employment Benefits.

f. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers the contribution to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Contributions to pension plan in current fiscal year (LGERS)	\$ 60,749
Benefit payments made and administrative expenses for LEOSSA made subsequent to the measurement date	1,760
Differences between expected and actual experience (LGERS)	46,884
Changes of assumptions (LGERS)	80,643
Changes of assumptions (LEOSSA)	3,628
Net difference between projected and actual earnings on pension plan investments (LGERS)	41,717
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	-
Total	<u>\$ 235,381</u>

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

	Statement of Net Position	Governmental Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 6,332	\$ 6,332
Taxes receivable, less penalties (General Fund)	-	43,969
Prepaid Privilege Licenses	435	435
Changes in assumptions (LEOSSA)	3,968	
Differences between expected and actual experience (LGERS)	1,573	
Differences between expected and actual experience (LEOSSA)	4,451	
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	24,197	
Total	<u>\$ 40,956</u>	<u>\$ 50,736</u>

3. Commitments

The Town has a commitment to pay economic incentives to the Ashe County Job Development for GE Aviation, as long as the Company meets its obligations under its agreement:

FY 2019/20	\$ 145,000
FY 2020/21	125,000
Total	<u>\$ 270,000</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for all risks of loss as follows:

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

Insurance Coverage

Agent: Miller's Insurance Agency

Provider: Employers Mutual Casualty Company

<u>Type</u>	<u>Coverage</u>	<u>Limit of Insurance</u>
Fire on Building	Blanket Building and Personal Property	\$ 13,224,793
Liability	General Aggregate (other than Property)	2,000,000
	Each Occurrence	1,000,000
Equipment Floater	Contractor's Equipment	367,700
Automobile	Liability	1,000,000
Worker's Compensation	Policy applies to the Worker's Comp Laws of NC	500,000

Agent: Miller's Insurance Agency

Provider: RLI Insurance Company

Professional Liability:

Errors/Omissions	Per Occurrence	\$ 1,000,000
	Annual Aggregate	2,000,000

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has no flood insurance. Flood insurance has not been required by lenders thus far. The Town's Finance Officer is bonded for \$50,000, the Town Manager for \$10,000, and the Tax Collector \$10,000.

5. Long Term Debt Obligations

a. Installment Purchases

	<u>Balance Due</u>
<u>Serviced by the General Fund</u>	
\$163,770 New Street Sweeper for the Street Department issued April 9, 2018, due in annual installments of \$36,015 including interest through April 19, 2022, interest at 3.25% payable to Estate of Herbert Francis. The note is secured by a lien on the equipment. In the event of default, the remaining principal balance and any interest accrued become due and payable within 15 days.	\$ 133,077
\$55,892 New Dump Truck for the Street Department issued November 8, 2017, due in annual installments of \$12,030 including interest through November 1, 2023, interest at 2.5% payable to Estate of Herbert Francis. The note is secured by a lien on the vehicle. In the event of default, the remaining principal balance and interest accrued become due and payable within 15 days.	45,259
\$41,000 New Trac Hoe for Street Department issued August 5, 2016, due in annual installments of \$8,825, including interest through August 15, 2021, interest at 2.5% payable to the Estate of Herbert Francis. The note is secured by a lien on the equipment. In the event of default, the remaining principal balance and interest accrued become due and payable within 15 days.	25,205
\$122,500 New Parking Lot Loan issued February 18, 2016, due in annual installments of \$24,500 plus interest through January 18, 2021, interest at 2.5% payable to the Estate of Herbert Francis. The note is secured by a deed of trust on the property. In the event of default, the remaining principal balance and interest accrued become due and payable within 15 days.	49,000

TOWN OF WEST JEFFERSON, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

EXHIBIT 9

Serviced by the Water and Sewer Fund

\$1,195,507 Water Pollution Control Revolving Loan issued November 12, 2002 due in annual installments of \$59,775 plus interest through May 1, 2022, interest at 2.87%, for a Water Line. The note is payable solely from water and sewer revenues. In the event of default, any other monies due to the Town from the State may be withheld by the State and applied to the payment due.

179,326

\$1,021,299 Drinking Water State Revolving Loan issued April 11, 2003 due in annual installments of \$51,065 principal plus interest through May 1, 2022, interest at 2.87%, for a Waste Water Treatment Plant. The note is payable solely from water and sewer revenues. In the event of default, any other monies due to the Town from the State may be withheld by the State and applied to the payment due.

153,195
\$ 585,062

The future minimum payments on installment purchases as of June 30, 2019 including interest of \$16,905 on debt presented for governmental activities and \$19,056 on water and sewer debt, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 75,285	\$ 7,311	\$ 110,840	\$ 9,543
2021	76,792	5,140	110,840	6,332
2022	53,845	3,024	110,840	3,181
2023	46,619	1,427		
2024				
Total	<u>\$ 252,541</u>	<u>\$ 16,902</u>	<u>\$ 332,520</u>	<u>\$ 19,056</u>

b. Bond Anticipation Notes

\$689,000 Water and Sewer Notes issued on July 18, 2018 and due on July 18, 2019; interest at 2.0%. The notes will be repaid from a \$689,000 bond issue to be sold on July 17, 2019.

\$ 689,000

Year Ending June 30	Principal	Interest
2020	689,000	-
Total	<u>\$ 689,000</u>	<u>\$ -</u>

c. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Direct placement					
installment purchases	\$ 326,362	\$ -	\$ 73,821	\$ 252,541	\$ 75,285
Compensated absences	44,150	40,867	47,105	37,912	37,912
Net pension liability (LGERS)	165,249	70,605	-	235,854	
Net pension liability (LEO)	55,099	3,035	-	58,134	
Gov activities long-term liabilities	<u>\$ 590,860</u>	<u>\$ 114,507</u>	<u>\$ 120,926</u>	<u>\$ 584,441</u>	<u>\$ 113,197</u>
Business-type activities:					
Direct placement					
installment purchases	\$ 443,361	\$ -	\$ 110,840	\$ 332,521	\$ 110,840
Bond anticipation note	-	689,000	-	689,000	689,000
Compensated absences	13,935	12,936	16,159	10,712	10,712
Net pension liability (LGERS)	46,799	21,243	-	68,042	
Bus-type activities long-term liab.	<u>\$ 504,095</u>	<u>\$ 723,179</u>	<u>\$ 126,999</u>	<u>\$ 1,100,275</u>	<u>\$ 810,552</u>

Compensated absences typically have been liquidated in the General Fund.

C. Transfers and Interfund Balances

Transfers to/from Other Funds

There were no transfers between funds during the year ending June 30, 2019, only transfers between departments of the General Fund.

D. 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	\$ 2,152,145
Less:	
Stabilization by State Statute	190,534
Public Safety - Police	5,900
Streets - Powell Bill	43,367
Public Safety - Fire Department	490,636
Appropriated Fund Balance in 2019/2020 budget	12,500
Remaining Fund Balance	1,409,208

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

Subsequent events have been evaluated through the date these financial statements were available to be issued - January 30, 2020.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
TOWN OF WEST JEFFERSON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
West Jefferson's proportion of the net pension liability (asset) (%)	0.01281%	0.01388%	0.01395%	0.01451%	0.01451%	0.01450%
West Jefferson's proportion of the net pension liability (asset) (\$)	\$303,897	\$212,048	\$296,066	\$ 65,120	\$ (85,572)	\$ 174,781
West Jefferson's covered-employee payroll	\$757,634	\$752,691	\$703,666	\$ 717,027	\$ 720,204	\$ 744,664
West Jefferson's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	40.11%	28.17%	42.07%	9.25%	(11.88%)	23.47%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF WEST JEFFERSON, NORTH CAROLINA
TOWN OF WEST JEFFERSON'S PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 60,749	\$ 58,896	\$ 56,666	\$ 48,148	\$ 52,006	\$ 51,449
Contributions in relation to the contractually required contribution	<u>60,749</u>	<u>58,896</u>	<u>56,666</u>	<u>48,148</u>	<u>52,006</u>	<u>51,449</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
West Jefferson's covered-employee payroll	\$ 758,362	\$ 757,634	\$ 752,691	\$ 703,666	\$ 717,027	\$ 720,204
Contributions as a percentage of covered-employee payroll	8.01%	7.77%	7.53%	6.84%	7.25%	7.14%

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 55,099	\$ 46,217	\$ 41,945
Changes for the Year:			
Service Cost	7,420	6,084	6,370
Interest On The Total Pension Liability	1,741	1,763	1,465
Changes of Benefit Terms			
Differences Between Expected And Actual Experience			
In The Measurement Of The Total Pension Liability	(2,572)	(3,406)	
Changes Of Assumptions Or Other Inputs	(3,554)	5,502	(1,744)
Benefit Payments		(1,061)	(1,819)
Other Changes			
Net Changes	<u>\$ 3,035</u>	<u>\$ 8,882</u>	<u>\$ 4,272</u>
Ending Balance Of The Total Pension Liability	<u><u>\$ 58,134</u></u>	<u><u>\$ 55,099</u></u>	<u><u>\$ 46,217</u></u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2018

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 58,134	\$ 55,099	\$ 46,217
Covered Payroll	\$ 279,403	\$ 285,380	\$ 289,752
Total Pension Liability as a Percentage of Covered Payroll	20.81%	19.31%	15.95%

Notes to the schedules:

The Town of West Jefferson has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad Valorem Taxes:			
Current Year	\$ -	\$ 1,244,941	\$ -
Prior Years		8,378	
Penalties and Interest		3,483	
Total	<u>\$ 1,188,000</u>	<u>\$ 1,256,802</u>	<u>\$ 68,802</u>
 Unrestricted Intergovernmental Revenues:			
Local Option Sales Tax	\$ -	\$ 412,397	\$ -
Telecommunications Tax		15,762	
Utilities Franchise Tax		188,085	
Piped Natural Gas Tax		3,772	
Video Franchise Tax		677	
Beer and Wine Tax		5,621	
ABC Profit Distribution		100,000	
Total	<u>\$ 660,000</u>	<u>\$ 726,314</u>	<u>\$ 66,314</u>
 Restricted Intergovernmental Revenues:			
Federal & State Grants	\$ -	\$ 199,350	\$ -
Fire Department State Grant		4,805	
Fire Tax Collections & Budget Appropriation		124,011	
Firefighter's Relief Fund & Grant		23,133	
Police Funds		5	
ABC Revenues for Law Enforcement		6,651	
Powell Bill Allocation		43,911	
Solid Waste Disposal Tax		910	
Total	<u>\$ 433,800</u>	<u>\$ 402,776</u>	<u>\$ (31,024)</u>
 Permits and Fees:			
Officer Fees	\$ -	\$ 593	\$ -
Garbage Fees		14,481	
Planning Fees		2,900	
Beer & Wine License		518	
Occupancy Tax Fee		-	
Total	<u>\$ 19,300</u>	<u>\$ 18,492</u>	<u>\$ (808)</u>
 Investment Earnings:			
Investment Earnings	\$ -	\$ 23,741	\$ -
Total	<u>\$ 14,000</u>	<u>\$ 23,741</u>	<u>\$ 9,741</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous:			
Contributions to Fire Department	\$ -	\$ 3,526	\$ -
Other		24,179	
Sale of Fixed Assets		-	
Total	<u>\$ 2,500</u>	<u>\$ 27,705</u>	<u>\$ 25,205</u>
Total Revenues	<u>\$ 2,317,600</u>	<u>\$ 2,455,830</u>	<u>\$ 138,230</u>
Expenditures			
General Government			
Administration			
Salaries/Employee Benefits	\$ -	\$ 267,590	\$ -
Operating Expenses		173,507	
Capital Outlay		11,132	
Total General Government	<u>\$ 469,450</u>	<u>\$ 452,229</u>	<u>\$ 17,221</u>
Public Safety			
Police			
Salaries/Employee Benefits	\$ -	\$ 380,160	\$ -
Operating Expenses		91,338	
Capital Outlay		63,043	
Total		<u>534,541</u>	
Fire			
Salaries/Employee Benefits		21,464	
Operating Expenses		196,740	
Capital Outlay		124,636	
Total		<u>342,840</u>	
Total Public Safety	<u>\$ 934,100</u>	<u>\$ 877,381</u>	<u>\$ 56,719</u>
Transportation			
Street Department			
Salaries/Employee Benefits	\$ -	\$ 157,467	\$ -
Operating Expenses		271,191	
Capital Outlay		55,515	
Total		<u>484,173</u>	
Powell Bill			
Operating Expenses		41,148	
Capital Outlay		-	
Total		<u>41,148</u>	
Total Transportation	<u>\$ 552,900</u>	<u>\$ 525,321</u>	<u>\$ 27,579</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic Development			
Contributions to ACJD		\$ 145,000	
Co-Operative Agreement		199,350	
Total Economic Development	<u>\$ 344,500</u>	<u>\$ 344,350</u>	<u>\$ 150</u>
Environmental Protection			
Sanitation			
Contracted Services	\$ -	\$ 102,212	\$ -
Recycling		6,000	
Total Environmental Protection	<u>\$ 100,600</u>	<u>\$ 108,212</u>	<u>\$ (7,612)</u>
Culture and Recreation			
Donation to WJ Lions Club	\$ -	\$ 1,250	\$ -
Other			
Total Culture and Recreation	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ -</u>
Debt Service			
Principal Retirement	\$ -	\$ 73,821	\$ -
Interest Expense		9,387	
Total Debt Service	<u>\$ 83,500</u>	<u>\$ 83,208</u>	<u>\$ 292</u>
Contingency Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 2,486,300</u>	<u>\$ 2,391,951</u>	<u>\$ 94,349</u>
Revenues Over (Under) Expenditures	<u>\$ (168,700)</u>	<u>\$ 63,879</u>	<u>\$ 232,579</u>
Other Financing Sources (Uses)			
Loan Proceeds	\$ -		\$ -
Appropriated Fund Balance	168,700	-	(168,700)
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 168,700</u>	<u>\$ -</u>	<u>\$ (168,700)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 63,879</u>	<u>\$ 63,879</u>
Fund Balance			
Beginning of Year, July 1		<u>2,088,266</u>	
End of Year, June 30		<u>\$ 2,152,145</u>	

EXHIBIT B-2

TOWN OF WEST JEFFERSON
GENERAL FUND - CDBG ECONOMIC DEVELOPMENT GRANT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED, JUNE 30, 2019

	Project Authorization	ACTUAL Prior Years	Current Year	Total To Date	Variance Favorable (Unfavorable)
<u>Revenues</u>					
Mountain Outfitters Expansion Project					
Restricted Intergovernmental Revenues					
Community Dev. Block Grant #16-E-2905	\$ 349,410	\$ 150,060	\$ 199,350	\$ 349,410	\$ -
Total Revenue	<u>\$ 349,410</u>	<u>\$ 150,060</u>	<u>\$ 199,350</u>	<u>\$ 349,410</u>	<u>\$ -</u>
 <u>Expenditures</u>					
Economic Development					
Mountain Outfitters Construction	\$ 349,410	\$ 150,060	\$ 199,350	\$ 349,410	\$ -
Total Expenditures	<u>\$ 349,410</u>	<u>\$ 150,060</u>	<u>\$ 199,350</u>	<u>\$ 349,410</u>	<u>\$ -</u>
 Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINING BALANCE SHEETS
NON - MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Non - Major Governmental Funds</u>
	<u>Park Fund</u>	<u>Cemetery Fund</u>		
ASSETS				
Cash and Cash Equivalents	\$ 97,862	\$ 28,808	\$ 43,484	\$ 170,154
Receivables (Net):				
Taxes	3,677			3,677
Due from Other Governmental Units	392			392
Total Assets	<u>\$ 101,931</u>	<u>\$ 28,808</u>	<u>\$ 43,484</u>	<u>\$ 174,223</u>
LIABILITIES				
Accounts Payable	\$ 35,677	\$ -		\$ 35,677
Total Liabilities	<u>\$ 35,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,677</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Receivable	\$ 3,677	\$ -	\$ -	\$ 3,677
Total Deferred Inflows of Resources	<u>\$ 3,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,677</u>
FUND BALANCES				
Restricted:				
Restricted by State Statute	\$ 392	\$ -	\$ -	\$ 392
Committed:				
For Park Maintenance	62,185			62,185
Assigned:				
Subsequent Year's Expenditures				
For Cemetery Maintenance		28,808		28,808
Capital Projects			43,484	43,484
Total Fund Balance	<u>\$ 62,577</u>	<u>\$ 28,808</u>	<u>\$ 43,484</u>	<u>\$ 134,869</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 101,931</u>	<u>\$ 28,808</u>	<u>\$ 43,484</u>	<u>\$ 174,223</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON - MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Park</u>	<u>Cemetery</u>	<u>Projects</u>	<u>Non - Major</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Gov't Funds</u>
Revenues:				
Ad Valorem Taxes				
Current Year	\$ 97,158	\$ -	\$ -	\$ 97,158
Prior Years	506			506
Total	<u>\$ 97,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,664</u>
Investment Earnings	\$ 1,221	\$ 241	\$ -	\$ 1,462
Contribution		6,908		6,908
Miscellaneous	2,224	55		2,279
Sale of Plots		1,000		1,000
Total	<u>\$ 3,445</u>	<u>\$ 8,204</u>	<u>\$ -</u>	<u>\$ 11,649</u>
Total Revenues	<u>\$ 101,109</u>	<u>\$ 8,204</u>	<u>\$ -</u>	<u>\$ 109,313</u>
Expenditures:				
Cultural and Recreational				
Salaries/Employee Benefits	\$ 39,703	\$ -	\$ -	\$ 39,703
Operating Expenses	77,610			77,610
Capital Outlay	40,374			40,374
Total Cultural and Recreational	<u>\$ 157,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,687</u>
Total Expenditures	<u>\$ 157,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,687</u>
Revenues Over (Under) Expenditures	\$ (56,578)	\$ 8,204	\$ -	\$ (48,374)
Other Financing Sources (Uses)				
Loan Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures	\$ (56,578)	\$ 8,204	\$ -	\$ (48,374)
Fund Balance:				
Beginning of Year, July 1	<u>119,155</u>	<u>20,604</u>	<u>43,484</u>	<u>183,243</u>
End of Year, June 30	<u>\$ 62,577</u>	<u>\$ 28,808</u>	<u>\$ 43,484</u>	<u>\$ 134,869</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SPECIAL REVENUE - PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes			
Current Year	\$ 95,500	\$ 97,158	\$ 1,658
Prior Years	-	506	506
Total	<u>\$ 95,500</u>	<u>\$ 97,664</u>	<u>\$ 2,164</u>
Investment Earnings	\$ -	\$ 1,221	\$ 1,221
Sale of Fixed Assets			-
Miscellaneous		2,224	2,224
Total	<u>\$ -</u>	<u>\$ 3,445</u>	<u>\$ 3,445</u>
Total Revenues	<u>\$ 95,500</u>	<u>\$ 101,109</u>	<u>\$ 5,609</u>
Expenditures:			
Cultural and Recreational			
Salaries/Employee Benefits	\$ -	\$ 39,703	\$ -
Operating Expenses		77,610	
Capital Outlay		40,374	
Total Expenditures	<u>161,100</u>	<u>157,687</u>	<u>\$ 3,413</u>
Revenues Over (Under) Expenditures	\$ (65,600)	\$ (56,578)	\$ 9,022
Other Financing Sources (Uses)			
Appropriated Fund Balance	<u>65,600</u>		<u>(65,600)</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (56,578)</u>	<u>\$ (56,578)</u>
Fund Balance:			
Beginning of Year, July 1		119,155	
End of Year, June 30		<u>\$ 62,577</u>	

TOWN OF WEST JEFFERSON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FOR THE FISCAL YEAR ENDED, JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating Revenues			
Charges for Services			
Water Charges	\$ 522,000	\$ 525,586	\$ 3,586
Sewer Charges	458,000	466,578	8,578
Water and Sewer Taps		17,100	17,100
Total Charges for Services	\$ 980,000	\$ 1,009,264	\$ 29,264
Other Operating Revenues	7,000	4,679	(2,321)
Total Operating Revenues	\$ 987,000	\$ 1,013,943	\$ 26,943
Nonoperating Revenues			
Interest Earned on Investments	7,000	17,582	10,582
Total Nonoperating Revenues	\$ 7,000	\$ 17,582	\$ 10,582
Total Revenues	\$ 994,000	\$ 1,031,525	\$ 37,525
Expenditures			
Water Department			
Salaries/Employee Benefits	\$ -	\$ 122,420	\$ -
Repair & Maintenance		192,698	
Other Departmental Expenses		72,957	
Capital Outlay		32,906	
Total Water Department	\$ 539,300	\$ 420,981	\$ 118,319
Sewer Department			
Salaries/Employee Benefits	\$ -	\$ 122,856	\$ -
Repair & Maintenance		70,107	
Other Departmental Expenses		171,546	
Capital Outlay		100,641	
Total Sewer Department	\$ 502,900	\$ 465,150	\$ 37,750

TOWN OF WEST JEFFERSON, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FOR THE FISCAL YEAR ENDED, JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Debt Service			
Interest	\$ -	\$ 12,724	\$ -
Debt Principal		110,840	
Total Debt Service	\$ 123,800	\$ 123,564	\$ 236
Total Expenditures	\$ 1,166,000	\$ 1,009,695	\$ 156,305
Revenues Over (Under) Expenditures	\$ (172,000)	\$ 21,830	\$ 193,830
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ 172,000	\$ -	\$ (172,000)
Loan Proceeds			-
State and Federal Grants	-		-
Total Other Financing Sources (Uses)	\$ 172,000	\$ -	\$ (172,000)
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	\$ -	\$ 21,830	\$ 21,830
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual			
Reconciling Items:			
Capital Grants (in Capital Projects Fund)		\$ 247,414	
Capital Outlay (not in Capital Project Fund)		133,547	
Debt Principal		110,840	
Depreciation		(299,929)	
(Increase) Decrease in Accrued Interest		(13,250)	
(Increase) Decrease in Compensated Absences Payable		3,222	
Increase (Decrease) in Deferred Outflows for Pensions		17,755	
(Increase) Decrease in Net Pension Liability		(21,243)	
(Increase) Decrease in Deferred Inflows for Pensions		(374)	
Total Reconciling Items		\$ 177,982	
Change in Net Position		\$ 199,812	

TOWN OF WEST JEFFERSON
ENTERPRISE -WATER & SEWER CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL- (NON-GAAP)
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED, JUNE 30, 2019

	Project Authorization	Prior Years	ACTUAL Current Year	Total To Date	Variance Favorable (Unfavorable)
Water & Sewer Sludge Press/Well/W&S Line Extension					
<u>Revenues</u>					
Restricted Intergovernmental Revenues					
USDA Grant	\$ 207,000	\$ -	\$ 101,440	\$ 101,440	\$ (105,560)
ARC Grant	300,000	-	145,974	145,974	(154,026)
Total Revenue	<u>\$ 507,000</u>	<u>\$ -</u>	<u>\$ 247,414</u>	<u>\$ 247,414</u>	<u>\$ (259,586)</u>
<u>Expenditures</u>					
Water & Sewer Improvements					
Administrative	\$ 21,350	\$ 5,097	\$ 5,034	\$ 10,131	\$ 11,219
Engineering	110,600	57,040	36,381	93,421	17,179
Construction	1,159,426	10,820	1,005,948	1,016,768	142,658
Contingency	76,249	-	-	-	76,249
Total Expenditures	<u>\$ 1,367,625</u>	<u>\$ 72,957</u>	<u>\$1,047,363</u>	<u>\$1,120,320</u>	<u>\$ 247,305</u>
Revenues Over (Under) Expenditures	\$ (860,625)	\$ (72,957)	\$ (799,949)	\$ (872,906)	\$ (12,281)
Other Financing Sources (Uses)					
USDA Loan	\$ 689,000	\$ -	\$ -	\$ -	\$ (689,000)
Bond Anticipation Loan	-	-	689,000	689,000	689,000
Town Contribution	171,625	72,957	110,949	183,906	12,281
Revenues and Other Financing Sources					
Over (Under) Expenditures and					
Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2019

	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018 - 19	\$ -	\$ 1,398,940	\$ 1,363,482	\$ 35,458
2017 - 18	25,117		11,998	13,119
2016 - 17	7,301		4,407	2,894
2015 - 16	6,154		4,877	1,277
2014 - 15	2,200		886	1,314
2013 - 14	4,051		2,086	1,965
2012 - 13	2,808		486	2,322
2011 - 12	2,362		510	1,852
2010 - 11	1,886		118	1,768
2009 - 10	3,730		1,031	2,699
2008 - 09	5,705		5,705	-
	<u>\$ 61,314</u>	<u>\$ 1,398,940</u>	<u>\$ 1,395,586</u>	<u>\$ 64,668</u>

Less Allowance for Uncollectible Ad Valorem Taxes Receivable	\$ (20,700)
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Ad Valorem Taxes Receivable - Net	\$ 43,968
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Reconcilement with Revenues:

Taxes - Ad Valorem - General Fund	\$ 1,256,802
Taxes - Ad Valorem - Special Revenue Fund	97,664
Discounts Allowed	18,388
Adjustments (for old personal property write-offs, etc)	20,831
Interest Received	(3,167)
Amount Written Off Per Statute of Limitations	<u>5,068</u>
Total Collections and Credits	<u>\$ 1,395,586</u>

TOWN OF WEST JEFFERSON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Total Levy</u>				
	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 322,766,944	.42	\$ 1,355,614	\$ 1,315,486	\$ 40,128
Property taxed at prior years rate	2,940,217	.42	12,349		12,349
Total original levy	<u>\$ 325,707,161</u>		<u>\$ 1,367,963</u>	<u>\$ 1,315,486</u>	<u>\$ 52,477</u>
Discoveries:					
Current year's taxes	10,475,128	.42	43,996	43,996	
Total	<u>\$ 336,182,289</u>		<u>\$ 1,411,959</u>	<u>\$ 1,359,482</u>	<u>\$ 52,477</u>
Less Abatements	(3,099,700)		(13,019)	(13,019)	
Total property valuation	<u><u>\$ 333,082,589</u></u>				
Net levy			\$ 1,398,940	\$ 1,346,463	\$ 52,477
Uncollected taxes at June 30, 2019			(35,458)	(35,458)	
Current year's taxes collected			<u><u>\$ 1,363,482</u></u>	<u><u>\$ 1,311,005</u></u>	<u><u>\$ 52,477</u></u>
Current levy collection percentage			<u><u>97.47%</u></u>	<u><u>97.37%</u></u>	<u><u>100.00%</u></u>

Priscilla L. Norris, CPA

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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*

Independent Auditor's Report

To the Honorable Mayor and
Board of Aldermen
Town of West Jefferson, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of West Jefferson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of West Jefferson's basic financial statements, and have issued our report thereon dated January 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the West Jefferson ABC Board, as described in our report on the Town of West Jefferson's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the West Jefferson ABC Board and the West Jefferson TDA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.



Priscilla L. Norris, CPA
Jefferson, North Carolina
January 30, 2020

Priscilla L. Norris, CPA

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**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance;
In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Board of Aldermen
Town of West Jefferson, North Carolina

Report on Compliance for Each Major Federal Program

We have audited The Town of West Jefferson, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of The Town of West Jefferson's major federal programs for the year ended June 30, 2019. The Town of West Jefferson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Town of West Jefferson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Town of West Jefferson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Town of West Jefferson's compliance.

Opinion on Each Major Federal Program

In our opinion, The Town of West Jefferson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of The Town of West Jefferson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Town of West Jefferson's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Priscilla L. Norris, CPA

Jefferson, NC

January 30, 2020

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
* Significant Deficiency(s) identified that are not considered to be material weakness?	_____ yes	_____ <u>X</u> none reported

Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> no
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Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
* Significant deficiencies(s) identified that are not considered to be material weaknesses	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	_____ yes	_____ <u>X</u> no
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Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
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Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
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TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2018-1 Inadequate design of internal control over the preparation of financial statements

Status: The Town Manager will meet with the auditor to review the financial statements to ensure that he has sufficient knowledge to take full responsibility for them

TOWN OF WEST JEFFERSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Numbers</u>	<u>State Project Numbers</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>US Department of Housing and Urban Development</u>				
Passed-through NC Department of Commerce				
CDBG - Grant # 16-E-2905	14.228	E-1	\$ 199,350	\$ -
<u>US Department of Agriculture</u>				
Passed-through NC Department of Agriculture and				
Consumer Services:				
Water and Waste Disposal Systems	10.760			
For Rural Communities - Loan			689,000	
- USDA Grant			101,440	
- ARC Grant			145,974	
Total			<u>936,414</u>	
<u>NC Department of Transportation</u>				
Powell Bill		DOT-4		41,148
<u>NC Department of Insurance</u>				
Volunteer Fire Department Grants				27,938
Total Assistance			<u>\$ 1,135,764</u>	<u>\$ 69,086</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of West Jefferson under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. Because SEFSA presents only a selected portion of the operations of the Town of West Jefferson, it is not intended to and does not present financial position, changes in net position or cash flows of the Town of West Jefferson.

Note 2. Loan Obligations

The Town of West Jefferson had the following loan balance outstanding at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. This loan is a bond anticipation loan (interim financing) at June 30, 2019, for which the USDA has issued loan proceeds on July 17, 2019.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 689,000