

Town of Snow Hill
Financial Statements
Snow Hill, North Carolina
For the Fiscal Year Ended June 30, 2015

Board of Commissioners

Dennis K. Liles, Mayor
Lorraine Washington, Pro-Tempore
Donnell Hagans, Commissioner
Geraldine E. Shackleford, Commissioner
Robert L. (Bobby) Taylor, Commissioner
Rosa Wilkes, Commissioner

Administrative Officers

Cathy Webb, Town Clerk/Finance Officer
Dana D. Hill, Town Administrator/Public Works Director
John Rea, Chief of Police

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Financial Section

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Town of Snow Hill, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

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Member North Carolina Association of Certified Public Accountants

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snow Hill, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements, and other knowledge I obtained during my audit of the basic information because the limited procedures do not provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Snow Hill, North Carolina. The introductory information, combining and individual non major fund statements, as well the accompanying schedule of expenditures of federal and state awards as requested by U.S. office of Management and Budget Circular A-133, audits of state and local governments and Nonprofit Organization and the State Single Audit Implementation Act are presented for additional analysis and are notes required part of the basic financial statements, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, I have also issued my report dated October 9, 2015 on my consideration of the Town of Snow Hill's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed on accordance with Government Auditing Standards on considering Town of Snow Hill's internal control over financial reporting and compliance.

Andrew Harris, CPA PLLC

*Farmville, North Carolina
October 9, 2015*

Management's Discussion and Analysis

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

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

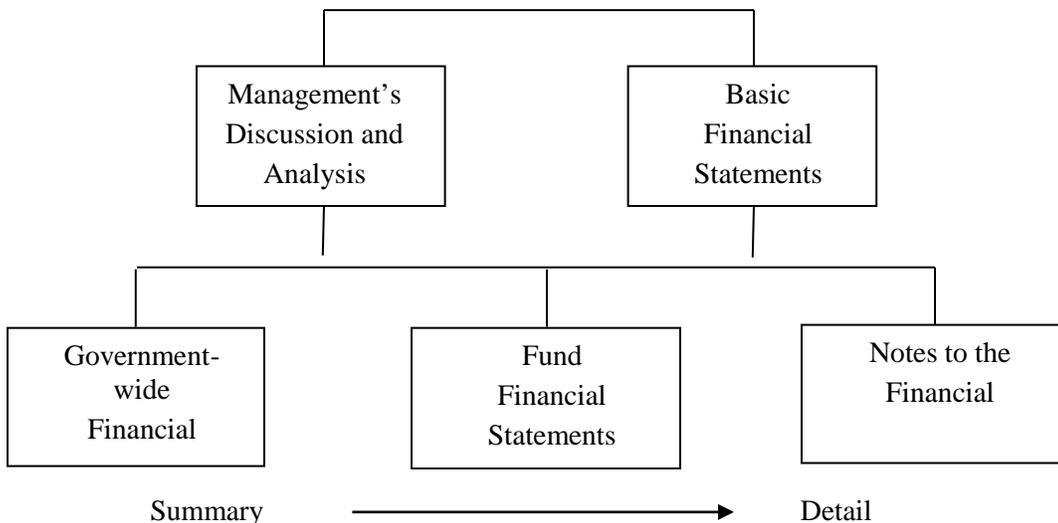
Financial Highlights

- The assets and deferred outflows of resources of the Town of Snow Hill exceeded its liabilities and deferred inflows or resources at the close of the fiscal year by \$8,653,526 (net position).
- The government's total net position increased by \$498,450, primarily due to increases in the Water-Sewer activities such as the Meter Reading Project.
- At the close of the current fiscal year, the Town of Snow Hill's General Fund reported an ending fund balances of \$1,082,350 with a net change of \$68,006 in fund balance. Approximately 81.5 percent of this total amount, or \$882,529, is available for spending at the government's discretion (unassigned fund balance), which represents approximately 85.9 percent of the total general fund expenditures for the current fiscal year.
- The Town of Snow Hill maintained its AAA bond rating for the 16th consecutive year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Snow Hill'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 Snow Hill.

Required Components of Annual Financial Report
Figure 1



Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes to the Basic Financial Statements**. 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 in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as transportation, environmental protection, 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 Snow Hill.

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

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Snow Hill, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Snow Hill can be divided into two categories: governmental funds and proprietary funds.

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

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 Snow Hill 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 as the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Independence 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 modification to Federal and State laws and Federal and State appropriations.

**Town of Snow Hill
Management Discussion and Analysis
June 30, 2015**

**Government-wide Financial Analysis
Town of Snow Hill's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current and other assets	\$ 1,181,624	\$ 1,089,822	\$ 1,179,196	\$ 1,211,952	\$ 2,360,820	\$ 2,301,774
Capital assets	1,651,405	1,716,852	6,156,794	5,564,683	7,808,199	7,281,535
Deferred outflows of resources	19,448	-	16,365	-	35,813	-
Total Position	\$ 2,852,477	\$ 2,806,674	\$ 7,352,355	\$ 6,776,635	\$ 10,204,832	\$ 9,583,309
Long-term liabilities	\$ 87,840	\$ 60,926	\$ 1,308,045	\$ 171,605	\$ 1,395,885	\$ 232,531
Other liabilities	80,042	-	91,304	495,000	171,346	495,000
Deferred inflows of resources	51,035	-	42,530	-	93,565	-
Total Liabilities	\$ 218,917	\$ 60,926	\$ 1,441,879	\$ 666,605	\$ 1,660,796	\$ 727,531
Net position:						
Invested in capital assets, net of related debt	\$ 1,564,038	\$ 1,716,852	\$ 4,847,969	\$ 5,159,683	\$ 6,412,007	\$ 6,876,535
Restricted	199,821	152,438	-	-	199,821	152,438
Unrestricted	869,700	876,458	1,171,998	1,040,347	2,041,698	1,916,805
Total Net Position	\$ 2,633,559	\$ 2,745,748	\$ 6,019,967	\$ 6,200,030	\$ 8,653,526	\$ 8,945,778

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Snow Hill exceeded liabilities and deferred outflows as by \$8,653,526 as of June 30, 2015. The Town's net position increased by \$498,450 for the fiscal year ended June 30, 2015. However, the largest portion of the Town's Net Position (74.1%) reflects the Town's investments 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 Snow Hill uses these capital assets related debt still outstanding that was issued to acquire those items. The Town of Snow Hill uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town of Snow Hill's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Snow Hill's net position of \$199,821 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,041,698 is unrestricted. Also, the Town of Snow Hill implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$790,702. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Snow Hill's management.

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

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

Governmental Activities

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.57%, which is comparable to the statewide average of 97.42%.
- Continued cemetery lot sales due to additions to cemetery plots.

Business-type Activities

- Continued low cost of debt due to the Town's high bond rating.
- The Town has managed to decrease expenditures to better control the deficits realized in the Water/Sewer Fund.

Town of Snow Hill's Changes in Net Position
Figure 3

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program Revenues:						
Charges for services	\$ 196,927	\$ 205,199	\$ 1,039,024	\$ 946,134	\$ 1,235,951	\$ 1,151,333
Operating grants and contributions	322,522	112,420	-	-	322,522	112,420
Capital grants and contributions	-	-	399,046	590,916	399,046	590,916
General Revenues:						
Property taxes	394,558	402,867	-	-	394,558	402,867
Other taxes	8,784	9,896	-	-	8,784	9,896
Grants and contributions not restricted to specific programs	270,829	285,438	-	-	270,829	285,438
Other	64,236	156,749	8,191	13,287	72,427	170,036
Total Revenues	\$ 1,257,856	\$ 1,172,569	\$ 1,446,261	\$ 1,550,337	\$ 2,704,117	\$ 2,722,906
Expenses:						
General government	\$ 167,634	\$ 280,864	\$ -	\$ -	\$ 167,634	\$ 280,864
Public safety	291,722	289,192	-	-	291,722	289,192
Transportation	255,067	165,282	-	-	255,067	165,282
Economic and physical development	193,400	56,600	-	-	193,400	56,600
Cultural and recreation	114,574	92,575	-	-	114,574	92,575
Environmental Protection	189,539	123,041	-	-	189,539	123,041
Water and sewer	-	-	991,768	933,204	991,768	933,204
Total Expenses	\$ 1,211,936	\$ 1,007,554	\$ 991,768	\$ 933,204	\$ 2,203,704	\$ 1,940,758
Increase (Decrease) in Net Position Before Transfers	\$ 45,920	\$ 165,015	\$ 454,493	\$ 617,133	\$ 500,413	\$ 782,148
Special item: Gain (loss) on insurance recovery	(662)	-	(1,301)	-	(1,963)	-
Increase (Decrease) in Net Position	\$ 45,258	\$ 165,015	\$ 453,192	\$ 617,133	\$ 498,450	\$ 782,148
Net position, July 1, previously reported	2,625,748	2,580,733	6,200,030	5,582,897	8,825,778	8,163,630
Net position, July 1, restated	2,588,301	-	5,566,775	-	8,155,076	-
Net Position, June 30	\$ 2,633,559	\$ 2,745,748	\$ 6,019,967	\$ 6,200,030	\$ 9,324,228	\$ 8,945,778

Governmental Activities. Governmental activities increased the Town's net position by \$46,583 thereby accounting for the small growth in net position of the Town of Snow Hill. Key elements of this increase are as follows:

- The Town received the final \$12,000 installment for the sale of a Fire Station during the year.
- The Town capitalized \$42,776 of expenditures related to various capital asset purchases.

Business-type Activities. Business-type activities increased the Town of Snow Hill's net position by \$453,192, the total growth in net position of the Town of Snow Hill.

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Snow Hill'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 Snow Hill'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 Snow Hill. At the end of the current fiscal year the Town of Snow Hill's fund balanced available was \$882,529 while total fund balance reached \$1,082,350. The Town currently has an available fund balance of 85.88% percent of general fund expenditures, while total fund balance represents 105.33 percent of the same amount.

At June 30, 2015, the governmental funds of Town of Snow Hill reported a combined fund balance of \$1,082,350.

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

Revenues were more than the budgeted amounts primarily due to the Town failing to budget enough for Ad Valorem Taxes, Local Option Sales Taxes and Cemetery related sales. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Snow Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,171,998. The total increase in net position for the fund was \$453,192. Other factors concerning the finances of this fund have been addressed in the discussion of the Town of Snow Hill's business-type activity.

Capital Asset and Debt Administration

Capital assets. The Town of Snow Hill's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$7,851,840 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, office furniture, and vehicles.

Town of Snow Hill's Capital Assets
(net of depreciation)
Figure 4

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Land	\$ 199,344	\$ 208,134	\$ 31,794	\$ 31,794	\$ 231,138	\$ 239,928
Construction in progress	-	-	1,203,441	590,916	1,203,441	590,916
Buildings	556,971	582,520	33,393	36,478	590,364	618,998
Equipment	107,424	120,922	81,679	59,370	189,103	180,292
Infrastructure	718,790	745,174	7,293	8,516	726,083	753,690
Vehicles	67,996	58,971	30,358	40,198	98,354	99,169
Furniture	880	1,131	-	-	880	1,131
Water/Sewer system	-	-	4,768,836	4,887,411	4,768,836	4,887,411
Total	<u>\$ 1,651,405</u>	<u>\$ 1,716,852</u>	<u>\$ 6,156,794</u>	<u>\$ 5,654,683</u>	<u>\$ 7,808,199</u>	<u>\$ 7,371,535</u>

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2015, the Town of Snow Hill had total bonded debt outstanding of \$577,500. All of this debt backed by the full faith and credit of the Town. All of the Town's debt represents financing agreements secured solely by specified revenue sources (i.e. revenue bonds).

Town of Snow Hill's Outstanding Debt
General Obligations and Revenue Bonds
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revolving Loan	\$ 87,367	\$ -	\$ 1,308,045	\$ 577,500	\$ 1,395,412	\$ 577,500
Total	<u>\$ 87,367</u>	<u>\$ -</u>	<u>\$ 1,308,045</u>	<u>\$ 577,500</u>	<u>\$ 1,395,412</u>	<u>\$ 577,500</u>

Town of Snow Hill's Outstanding Debt

The Town of Snow Hill's total debt increased by \$818,385 (141.71%) during the past fiscal year, the Town made the annual payment on the revolving loan in the amount of \$82,500.

As mentioned in the financial highlights section of this document, the Town of Snow Hill has maintained its AAA bond rating. The Town's Board believes this bond rating is a clear indication of the sound financial condition of the Town of Snow Hill. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

Town of Snow Hill
Management Discussion and Analysis
June 30, 2015

North Carolina general statutes limit the amount of general obligation debt that a unit of governmental can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Snow Hill is \$10,356,340. The Town has \$0 in bonds authorized but un-issued at June 30, 2015.

Additional information regarding the Town of Snow Hill's long-term debt can be found in note III.B.5a beginning on page 42 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect that overall changes in the growth and prosperity of the Town of Snow Hill:

- *Tax Base Increase.* The budget calls for maintaining 35 cents per \$100 valuation tax rate.
- *Population Stable.* The State Data Center certified July 1, 2012 municipal population of 1,611 residents; current populations is 1,592.
- *Labor Force in Flux.* The Town has recovered many of the jobs in the manufacturing sector, but the unemployment rate remains at approximately 6.4%.
- *External Fund Opportunities.* The Town continues to have success in pursuit of several external funding opportunities. The Town also currently has approval for water and sewer system improvements and business development.

Budget Highlights for the Fiscal Year Ending June 30, 2015:

- **General Fund.** The total budgeted expenditures in the General Fund are expected to be consistent to the prior year
- The contract for fire protection will remain consistent to prior year.

Business-type Activities

- **Water and Sewer Fund.** The water and sewer budget is expected to be consistent to the prior year.

Requests for Information

This report is designed to provide an overview of the Town of Snow Hill's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Snow Hill, 201 N. Greene Street, Snow Hill, North Carolina 28580. You can also call (252) 747-3414 or visit our website at <http://snowhillnc.com>.

Basic Financial Statements

Town of Snow Hill, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 935,527	\$ 1,017,938	\$ 1,953,465
Taxes receivable (net)	22,778	-	22,778
Accounts receivable (net)	1,144	172,517	173,661
Internal balances	100	(100)	-
Due from other governments	76,187	-	76,187
Inventories	-	28,874	28,874
Restricted cash and cash equivalents	122,191	49,514	171,705
Total Current Assets	<u>\$ 1,157,927</u>	<u>\$ 1,268,743</u>	<u>\$ 2,426,670</u>
Non-current assets:			
Net pension asset	23,697	19,944	43,641
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	\$ 199,344	\$ 1,235,233	\$ 1,434,577
Other capital assets, net of depreciation	1,452,061	4,921,561	6,373,622
Total Capital Assets	<u>\$ 1,651,405</u>	<u>\$ 6,156,794</u>	<u>\$ 7,808,199</u>
Total non-current assets	<u>\$ 1,675,102</u>	<u>\$ 6,176,738</u>	<u>\$ 7,851,840</u>
Total Assets	<u>\$ 2,833,029</u>	<u>\$ 7,445,481</u>	<u>\$ 10,278,510</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	7,223	6,078	13,301
Contributions to pension plan in current fiscal year	19,448	16,365	35,813
Total deferred outflows of resources	<u>26,671</u>	<u>22,443</u>	<u>49,114</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 29,012	\$ 25,449	\$ 54,461
Customer deposits	23,285	39,754	63,039
Compensated absences	27,745	26,101	53,846
Current portion of long-term liabilities	21,106	128,171	149,277
Total Current Liabilities	<u>\$ 101,148</u>	<u>\$ 219,475</u>	<u>\$ 320,623</u>
Long-term Liabilities:			
Due in more than one year	66,734	1,179,874	1,246,608
Total Liabilities	<u>\$ 167,882</u>	<u>\$ 1,399,349</u>	<u>\$ 1,567,231</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	\$ 501	\$ -	\$ 501
Pension deferrals	57,757	48,608	106,365
Total deferred inflows of resources	<u>\$ 58,258</u>	<u>\$ 48,608</u>	<u>\$ 106,866</u>
NET POSITION			
Net investment in capital assets	\$ 1,564,038	\$ 4,847,969	\$ 6,412,007
Restricted for:			
Transportation-Powell Bill	122,191	-	122,191
Stabilization by State statute	77,630	-	77,630
Unrestricted	869,700	1,171,998	2,041,698
Total Net Position	<u>\$ 2,633,559</u>	<u>\$ 6,019,967</u>	<u>\$ 8,653,526</u>

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

**Town of Snow Hill, North Carolina
Statement of Activities
For the Year Ended June 30, 2015**

Functions/Programs	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Asset Primary Government</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 167,634	\$ 780	\$ -	\$ -	\$ (166,854)	\$ -	\$ (166,854)
Public safety	291,722	47,521	-	-	(244,201)	-	(244,201)
Transportation	255,067	-	48,956	-	(206,111)	-	(206,111)
Economic and physical development	193,400	-	193,436	-	36	-	36
Cultural and recreation	114,574	1,100	80,130	-	(33,344)	-	(33,344)
Environment protection	189,539	147,526	-	-	(42,013)	-	(42,013)
Total Governmental Activities	<u>\$1,211,936</u>	<u>\$ 196,927</u>	<u>\$ 322,522</u>	<u>\$ -</u>	<u>\$ (692,487)</u>	<u>\$ -</u>	<u>\$ (692,487)</u>
Business-type Activities:							
Water and sewer	\$ 991,768	\$1,039,024	\$ -	\$ 399,046	\$ -	\$ 446,302	\$ 446,302
Total Business-type Activities	<u>\$ 991,768</u>	<u>\$1,039,024</u>	<u>\$ -</u>	<u>\$ 399,046</u>	<u>\$ -</u>	<u>\$ 446,302</u>	<u>\$ 446,302</u>
Total Primary Government	<u>\$2,203,704</u>	<u>\$1,235,951</u>	<u>\$ 322,522</u>	<u>\$ 399,046</u>	<u>\$ (692,487)</u>	<u>\$ 446,302</u>	<u>\$ (246,185)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 394,558	\$ -	\$ 394,558
Other taxes licenses					8,784	-	8,784
Grants and contributions not restricted to specific programs					270,829	-	270,829
Investment earnings, unrestricted					573	431	1,004
Extraordinary item: Loss on insurance recovery					(662)	(1,301)	(1,963)
Other					63,663	7,760	71,423
Total General Revenues and Transfers					<u>\$ 737,745</u>	<u>\$ 6,890</u>	<u>\$ 744,635</u>
Change in Net Position					45,258	453,192	498,450
Net Position, beginning, previously reported					2,625,748	6,200,030	8,825,778
Restatement					(37,447)	(633,255)	(670,702)
Net Position, beginning, restated					2,588,301	5,566,775	8,155,076
Net Position, ending					<u>\$ 2,633,559</u>	<u>\$ 6,019,967</u>	<u>\$ 8,653,526</u>

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

**Town of Snow Hill, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>CDBG Project Fund</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 935,427	\$ 100	\$ 935,527
Restricted cash	122,191	-	122,191
Receivables, net:			
Taxes	22,778	-	22,778
Accounts	1,144	-	1,144
Due from other funds	200	-	200
Due from other governments	76,186	-	76,186
Total Assets	<u>\$ 1,157,926</u>	<u>\$ 100</u>	<u>\$ 1,158,026</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 29,012	\$ -	\$ 29,012
Due to other funds	-	100	100
Customer deposits	23,285	-	23,285
Total Liabilities	<u>\$ 52,297</u>	<u>\$ 100</u>	<u>\$ 52,397</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	\$ 22,778	\$ -	\$ 22,778
Prepaid taxes	501	-	501
Total Deferred Inflows of Resources	<u>\$ 23,279</u>	<u>\$ -</u>	<u>\$ 23,279</u>
Fund Balances:			
Restricted for:			
Stabilization by State Statute	\$ 77,630	\$ -	\$ 77,630
Streets - Powell Bill	122,191	-	122,191
Unassigned	882,529	-	882,529
Total Fund Balances	<u>\$ 1,082,350</u>	<u>\$ -</u>	<u>\$ 1,082,350</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,157,926</u>	<u>\$ 100</u>	

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

Compensated absences	(27,745)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	2,562,987
Accumulated depreciation	(911,582)
Net pension asset	23,697
Contributions to the pension plan in the current fiscal year are deferred outflows of resources of resources on the Statement of Net Position	19,448
Pension plan deferrals	(50,534)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(87,840)
Liabilities for earned but deferred revenues considered deferred inflows of resources in fund statements.	22,778
Net Position of Governmental Activities	<u>\$ 2,633,559</u>

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

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

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CDBG Project Fund</u>	
REVENUES			
Ad valorem taxes	\$ 386,267	\$ -	\$ 386,267
Other taxes and licenses	8,784	-	8,784
Unrestricted intergovernmental	346,955	-	346,955
Restricted intergovernmental	57,206	193,436	250,642
Sales and services	226,427	-	226,427
Investment earnings	573	-	573
Other	57,396	-	57,396
Total Revenues	<u>\$ 1,083,608</u>	<u>\$ 193,436</u>	<u>\$ 1,277,044</u>
EXPENDITURES			
Current:			
General Government	\$ 220,724	\$ -	\$ 220,724
Economic and physical development	-	193,436	193,436
Public Safety	317,485	-	317,485
Transportation	240,457	-	240,457
Environmental protection	129,957	-	129,957
Cultural and recreational	95,893	-	95,893
Debt service	23,086	-	23,086
Total Expenditures	<u>\$ 1,027,602</u>	<u>\$ 193,436</u>	<u>\$ 1,221,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 56,006</u>	<u>\$ -</u>	<u>\$ 56,006</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 12,000	\$ -	\$ 12,000
Total Other Financing Sources (Uses)	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>
Net Change in Fund Balance	<u>\$ 68,006</u>	<u>\$ -</u>	<u>\$ 68,006</u>
Fund Balances, beginning	<u>\$ 1,014,344</u>	<u>\$ -</u>	<u>\$ 1,014,344</u>
Fund Balances, ending	<u><u>\$ 1,082,350</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,082,350</u></u>

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

Town of Snow Hill, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds	\$	68,006
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$	42,776
Depreciation expense for governmental assets		(99,433)
Disposal of assets		(8,790)
		(65,447)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		19,448
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		7,854
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		20,633
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(2,174)
Pension expense		(3,296)
		(5,470)
Total Changes in Net Position of Governmental Activities	\$	45,024

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

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 348,500	\$ 348,500	\$ 386,267	\$ 37,767
Other taxes and licenses	6,000	6,000	8,784	2,784
Unrestricted intergovernmental	263,100	304,100	346,955	42,855
Restricted intergovernmental	45,000	53,200	57,206	4,006
Sales and services	168,700	186,335	226,427	40,092
Investment earnings	1,100	1,100	573	(527)
Other	31,100	62,020	57,396	(4,624)
Total Revenues	<u>\$ 863,500</u>	<u>\$ 961,255</u>	<u>\$ 1,083,608</u>	<u>\$ 122,353</u>
EXPENDITURES				
Current:				
General government	\$ 228,391	\$ 236,591	\$ 220,724	\$ 15,867
Public safety	283,760	324,393	317,485	6,908
Transportation	147,440	247,036	240,457	6,579
Environmental protection	123,105	131,380	129,957	1,423
Cultural and recreational	67,004	99,729	95,893	3,836
Debt service	5,800	23,130	23,086	44
Total Expenditures	<u>\$ 855,500</u>	<u>\$ 1,062,259</u>	<u>\$ 1,027,602</u>	<u>\$ 34,613</u>
Revenues Over (Under) Expenditures	<u>\$ 8,000</u>	<u>\$ (101,004)</u>	<u>\$ 56,006</u>	<u>\$ 156,966</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	12,000	12,000	12,000	-
Contingency	(20,000)	-	-	-
Fund balance appropriated	-	89,004	-	89,004
Total Other Financing Sources (Uses)	<u>\$ (8,000)</u>	<u>\$ 101,004</u>	<u>\$ 12,000</u>	<u>\$ 89,004</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,006</u>	<u>\$ 67,962</u>
Fund balance, beginning			<u>\$ 1,014,344</u>	
Fund balance, ending			<u>\$ 1,082,350</u>	

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

Town of Snow Hill, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Water/Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,017,938
Accounts receivable (net)	172,517
Inventory	28,874
Restricted cash and cash equivalents	49,514
Total Current Assets	<u>\$ 1,268,843</u>
Noncurrent assets:	
Net pension asset	\$ 19,944
Capital Assets:	
Land and other nondepreciable assets	\$ 1,235,233
Other capital assets, net of depreciation	4,921,561
Capital Assets	<u>\$ 6,156,794</u>
Total noncurrent assets	<u>\$ 6,176,738</u>
Total Assets	<u><u>\$ 7,445,581</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan	<u>\$ 16,365</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 25,449
Due to other funds	100
Customer deposits	39,754
Current portion of compensated absences	26,101
Long-term debt, current portion	128,171
Total Current Liabilities	<u>\$ 219,575</u>
Non-current Liabilities:	
Long-term debt, non-current portion	<u>\$ 1,179,874</u>
Total Non-current Liabilities	<u>\$ 1,179,874</u>
Total Liabilities	<u>\$ 1,399,449</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>\$ 42,530</u>
NET POSITION	
Net investment in capital assets, net of related debt	\$ 4,847,969
Unrestricted	1,171,998
Total Net Position	<u><u>\$ 6,019,967</u></u>

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

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

	Water/Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 931,673
Water and sewer taps	3,979
Other operating revenues	103,372
Total Operating Revenues	\$ 1,039,024
OPERATING EXPENSES	
Water	\$ 353,132
Sewer	367,400
Depreciation	254,572
Total Operating Expenses	\$ 975,104
Operating Income (Loss)	\$ 63,920
NON-OPERATING REVENUES (EXPENSES)	
Insurance recovery	\$ (1,301)
Investment earnings	431
Miscellaneous revenue	7,760
Interest and other charges	(16,664)
Total Non-operating Revenue (Expenses)	\$ (9,774)
Income before contributions	54,146
Capital contributions	399,046
Change in Net Position	\$ 453,192
Total Net Position, previously reported	\$ 6,200,030
Restatement	(633,255)
Total Net Position, restated	5,566,775
Total Net Position, ending	\$ 6,019,967

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

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

	Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 893,391
Cash paid for goods and services	(460,271)
Cash paid to or on behalf of employees for services	(320,862)
Customers deposits	633
Other revenues	111,132
Net Cash Provided (Used) by Operating Activities	\$ 224,023
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	\$ (757,296)
Loan proceeds	204,803
Principal paid on bond maturities and revolving loan	(93,039)
Interest paid on bond maturities and revolving loan	(19,142)
Capital contribution - federal	399,046
Insurance recovery	48,302
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (217,326)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	\$ 431
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 7,128
Cash and Cash Equivalents, July 1	1,060,324
Cash and Cash Equivalents, June 30	\$ 1,067,452
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 63,920
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	254,572
Pension expense	2,774
Changes in Assets and Liabilities:	
Decrease (increase) in accounts receivable	(42,261)
Decrease (increase) in inventory	(7,502)
Increase (decrease) in accounts payable and accrued liabilities	762
Increase (decrease) in customer deposits	633
Increase (decrease) in compensated absences	1,141
(Increase) decrease in deferred outflows of resources for pensions	(413)
Total Adjustments	\$ 209,706
Net Cash Provided (Used) by Operating Activities	\$ 273,626
Supplement Disclosure of Cash Flows Information:	
Cash consists of the following:	
Unrestricted cash and cash equivalents	\$ 1,017,938
Restricted cash and cash equivalents - customer deposits	49,514
Cash and Cash Equivalents, June 30	\$ 1,067,452

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Snow Hill conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Snow Hill is a municipal corporation that is governed by an elected mayor and a five member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town and all of its operations.

B. Basis of Presentation - Fund Accounting

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in 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 Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 enterprise funds:

Community Development Block Grant Project Fund. This fund is used to account for the Community Development Block Grant project; (1) Small Business Enhancement.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property, other than motor vehicles, are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the CDBG Talent Enhancement Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several budget amendments were made to the general fund budgets increasing the total budgeted expenditures by approximately \$10,975. There were budget amendments in the Enterprise Fund increasing the total budgeted expenditures by approximately \$53,150. 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 are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 also classified as restricted cash because it can be expended on for the purposes of maintaining, repairing, constructing, reconstructing or widening or local streets per G.S. 136-41.1 through 136-4.4.

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. The taxes levied are based on the assessed values as of January 1, 2010. 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. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market value. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expenses when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000 for all assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of the road network and water and sewer system assets that were acquired or that received substantial

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	40 years
Buildings	39 years
Improvements	15-20 years
Vehicles	5-7 years
Furniture and Equipment	7-20 years
Computer Equipment	3-5 years

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

9. Long-term Obligations

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

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.

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

10. Compensated Absences

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

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

11. Net Position/Fund Balances

a. 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 assets 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.

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance - This classification includes amounts that cannot be spent because they are either; (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Currently, the Town of Snow Hill has no amounts of Fund Balance classified as non-spendable.

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

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

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

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

The Town of Snow Hill currently does not have an adopted minimum fund balance policy.

12. Pensions

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

13. Use of Estimates

The preparation of the accompanying general purpose financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

14. Date of Management's Review

Subsequent events were evaluated through October 9, 2015, that date the financial statements were available to be issued.

II. Stewardship, Compliance, and Accountability

A. Non-compliance with NC General Statutes

There are no known of non-compliance with NC General Statute.

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

III. Detail Notes on All Funds

A. Assets

1. Deposits

All 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 unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the 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 for collateralized public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of \$1,996,821 and a bank balance of \$2,072,913. Of the bank balance, \$263,817 was covered by federal depository insurance and \$1,809,096 was covered by collateral held under the pooling method. At June 30, 2015, the Town's petty cash fund totaled \$450.

2. Investments

At June 30, 2015, the Town of Snow Hill had \$127,900 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

General Fund:		
Allowance for uncollectible property taxes receivable	\$	8,420
Water/Sewer Fund:		
Allowance for uncollectible accounts		104,400
	\$	<u>112,820</u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 208,134	\$ -	\$ 8,790	\$ 199,344
Total Capital Assets Not Being Depreciated	<u>\$ 208,134</u>	<u>\$ -</u>	<u>\$ 8,790</u>	<u>\$ 199,344</u>
Capital Assets Being Depreciated:				
Buildings	\$ 850,391	\$ -	\$ -	\$ 850,391
Equipment	325,114	11,158	-	336,272
Vehicles and motorized equipment	185,132	31,618	-	216,750
Infrastructure	958,468	-	-	958,468
Furniture	1,762	-	-	1,762
Total Capital Assets Being Depreciated	<u>\$ 2,320,867</u>	<u>\$ 42,776</u>	<u>\$ -</u>	<u>\$ 2,363,643</u>
Less accumulated depreciation for:				
Buildings	\$ 267,871	\$ 25,549	\$ -	\$ 293,420
Equipment	204,193	24,655	-	228,848
Vehicles and motorized equipment	126,161	22,593	-	148,754
Infrastructure	213,294	26,384	-	239,678
Furniture	630	252	-	882
Total accumulated depreciation	<u>\$ 812,149</u>	<u>\$ 99,433</u>	<u>\$ -</u>	<u>\$ 911,582</u>
Total Capital Assets Being Depreciated, Net	<u>1,508,718</u>			<u>1,452,061</u>
Governmental Activity Capital Assets, Net	<u>\$ 1,716,852</u>			<u>\$ 1,651,405</u>

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

General government	\$	8,850
Environmental protection		3,400
Public safety		24,724
Transportation		43,778
Cultural and recreational		18,681
Total Depreciation Expense		\$ 99,433

b. Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2015 was as follows:

Water/Sewer Fund	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activity:				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 590,916	\$ 612,525	\$ -	\$ 1,203,441
Land	31,794	-	-	31,794
Total Capital Assets Not Being Depreciated	\$ 622,710	\$ 612,525	\$ -	\$ 1,235,235
Capital Assets Being Depreciated:				
Buildings	\$ 136,729	\$ -	\$ -	\$ 136,729
Equipment	267,252	34,679	-	301,931
Furniture	527	-	-	527
Vehicles and motorized equipment	142,155	-	-	142,155
Water & sewer system	9,803,031	110,091	-	9,913,122
Infrastructure	9,180	-	-	9,180
Total Capital Assets Being Depreciated	\$ 10,358,874	\$ 144,770	\$ -	\$ 10,503,644
Less accumulated depreciation for:				
Buildings	\$ 100,251	\$ 3,085	\$ -	\$ 103,336
Equipment	207,882	12,370	-	220,252
Furniture	527	-	-	527
Vehicles and motorized equipment	101,957	9,840	-	111,797
Water & sewer system	4,915,620	228,666	-	5,144,286
Infrastructure	1,275	612	-	1,887
Total Accumulated Depreciation	\$ 5,327,512	\$ 254,573	\$ -	\$ 5,582,085
Total Capital Assets Being Depreciated, Net	\$ 5,031,362			\$ 4,921,559
Business-type Activities Capital Assets, Net	\$ 5,654,072			\$ 6,156,794

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Snow Hill employees are

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Snow Hill's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Snow Hill were \$35,813 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$43,641 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.00681%, which was a decrease of 0.00011% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$7,070. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,769
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	101,596
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,301	-
Town contributions subsequent to the measurement date	35,813	-
Total	<u>\$ 49,114</u>	<u>\$ 106,365</u>

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

\$35,813 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

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

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

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

**Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015**

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

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

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

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

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

**Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015**

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 148,137	\$ (43,641)	\$ (205,112)

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2015, 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	4
Total	4

A separate report was not issued for 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 following criteria which are outlined in GASB Statements 67 and 68:

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

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

contributing entities, the plan administrator, and plan members.

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

Contributions

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

The Town has determined that the retirement amounts will be immaterial, and has decided not to get current actuarial evaluations done. No RSI is required due to immateriality.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$9,022 which consisted of \$7,662 from the Town and \$1,360 from the law enforcement officers.

d. Other Employment Benefits

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

Town of Snow Hill
Notes to the Financial Statements
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to beneficiaries are equal to 1.5 times annual earnings, rounded to the next highest \$1,000, with a maximum of \$200,000. The amount described above, multiplied by the appropriate age percentage. The insurance is provided by Provident Life Insurance issued to Municipal Insurance Trust of North Carolina. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions 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:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 35,813

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

Prepaid taxes	\$ 501
Taxes receivable, less penalties (General Fund)	24,103
Pension deferrals	93,064

3. 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 maintains commercial insurance with two private sector insurance agencies. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

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

The Town does not currently carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. All employees that have access to funds are bonded under a blanket bond of \$75,000.

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

The finance officer is bonded individually for \$75,000, and the tax collector is bonded for \$75,000 as required by G.S. 159-29.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2015, there were no lawsuits against the Town that materially impact its financial statements.

5. Long-term Obligations

a. Installment Purchase

In September 2013, the Town entered into an installment contract to purchase a street sweeper. The financing contract requires principal payments beginning in fiscal year 2015 with interest rate of 2.29 percent.

Annual debt service payments of the installment purchase as of June 30, 2015, including \$5,620 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 21,106	\$ 2,001	\$ 2,345	\$ 222	\$ 25,674
2017	21,589	1,517	2,399	169	25,674
2018	22,083	1,023	2,454	114	25,674
2019	22,589	517	2,510	57	25,673
	<u>\$ 87,367</u>	<u>\$ 5,058</u>	<u>\$ 9,708</u>	<u>\$ 562</u>	<u>\$ 102,695</u>

b. Sanitary Sewer Revolving Loan

In August of 2000, the Town entered into a Sanitary Sewer Revolving Loan Agreement with the North Carolina Department of Environment and Natural Resources Division of Water Quality, to aide in the construction of the Town's Waste Water Treatment Plant. The total amount of the loan proceeds was \$1,650,000 with the total project costs approximated at \$5,760,000. The agreement required principal and interest payments to being in 2002, spread over 20 years, with the initial interest rate of 2.87%, not to exceed 4%. At the date of this report, all of the funds have been drawn down and the project has been completed. The annual debt service requirements to maturity for this revolving loan should approximate the following:

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

Year Ending June 30	Principal	Interest	Total
2016	82,500	14,206	\$ 96,706
2017	82,500	11,839	94,339
2018	82,500	9,471	91,971
2019	82,500	7,103	89,603
2020	82,500	4,736	87,236
2021	82,500	2,368	84,868
	<u>\$ 495,000</u>	<u>\$ 49,723</u>	<u>\$ 544,723</u>

c. Construction Notes

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$158,087 to finance the purchase and installation of automatic meter readers. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2015, \$158,087 of the available loan has been received and used by the Town for the purchase and installation of automatic meter readers.

Annual debt service requirements to maturity for the full amount of the note of \$158,087, including no interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 32,787	\$ -	\$ 32,787
2017	32,787	-	32,787
2018	32,787	-	32,787
2019	32,787	-	32,787
2020	32,787	-	32,787
2021-2025	163,935	-	163,935
2026-2030	163,935	-	163,935
2031-2035	163,933	-	163,933
	<u>\$ 655,738</u>	<u>\$ -</u>	<u>\$ 655,738</u>

The Town has signed a fifteen year note with the Drinking Water Management Trust Fund for \$655,738 to finance the replacement of water lines. The note was executed November 2013 with payments beginning May 2015. Through June 30, 2015, \$655,738 of the available loan has been received and used by the Town for the replacement of water lines.

Annual debt service requirements to maturity for the full amount of the note of \$655,738, including no interest, are as follows:

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

Year Ending June 30	Principal	Interest	Total
2016	\$ 10,539	\$ -	\$ 10,539
2017	10,539	-	10,539
2018	10,539	-	10,539
2019	10,539	-	10,539
2020	10,539	-	10,539
2021-2025	52,695	-	52,695
2026-2029	42,158	-	42,158
	<u>\$ 147,548</u>	<u>\$ -</u>	<u>\$ 147,548</u>

d. Changes in Long-term Liabilities

At June 30, 2015, the Town had a legal debt margin of \$8,665,349. There are no bonds authorized and unissued. Also, compensated absences for governmental activities have been typically liquidated in the General Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Installment purchase	\$ 108,000	\$ -	\$ 20,633	\$ 87,367	\$ 21,106
Compensated absences	25,573	2,172	-	27,745	27,745
Governmental Activity Long-term Liabilities	<u>\$ 133,573</u>	<u>\$ 2,172</u>	<u>\$ 20,633</u>	<u>\$ 115,112</u>	<u>\$ 48,851</u>
Business-type Activities:					
Installment purchase	\$ 12,000	\$ -	\$ 2,293	\$ 9,707	\$ 2,345
Revolving loan	577,500	813,825	93,039	1,298,286	125,826
Compensated absences	24,960	1,141	-	26,101	26,101
Total Business-type Activity	<u>\$ 614,460</u>	<u>\$ 814,966</u>	<u>\$ 95,332</u>	<u>\$ 1,334,094</u>	<u>\$ 154,272</u>

6. Non-cancelable Operating Lease

The Town has entered into an agreement to lease certain equipment with Executive Leasing Co. The lease agreement qualifies as an operating lease for accounting purposes.

The agreement was executed on February 9, 2013 to lease a copy machine and require 60 monthly payments of \$283. In return for the minimum payment, the Town is entitled to use the number of guaranteed minimum quarterly images. If the Town uses more than the guaranteed minimum quarterly images in a quarter, as applicable, the Town will pay additional charges equal to the number of additional metered images the cost of additional images. Also, if the Town used the machine more than the manufacturer's recommended

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

specifications for supplies, the Town will be required to pay additional charges for the excess supplies. Title does not pass to the Town at the end of the lease term. Total costs related to the lease for fiscal year June 30, 2015 were \$3,396.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Fiscal Year Ending June 30	
2016	8,000
2017	8,000
Total Minimum Future Payments Required:	\$ 16,000

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consist of the following:

Receivable Fund	Payable Fund	Amount
General	CDBG	\$ 100
Water and Sewer Fund	Water Line Replacement Fund	229

The Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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	\$ 1,082,350
Less:	
Stabilization by State Statute	77,630
Streets - Powell Bill	122,191
Unassigned	882,529
Remaining Fund Balance	\$ -

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

Town of Snow Hill
Notes to the Financial Statements
For the Year Ended June 30, 2015

The Town has received proceeds from 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 moneys to the grantor agencies. Management believes that any required refund will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

V. Extraordinary Event

During fiscal year 2014-2015, the Town experienced lightning damage to the waste water treatment plant. For the Water Sewer operations, the Town received \$48,302 in insurance recovery to offset the repair cost to the waste water treatment plant of \$49,603 resulting in an extraordinary loss of \$1,301.

During fiscal year 2014-2015, the Town experienced multiple accidents to vehicles and equipment. For the governmental activities, the Town received \$31,622 in insurance recovery to offset the repair costs to the vehicles and equipment of \$31,582 resulting in an extraordinary loss of \$662.

VI. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of this statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$23,540 and \$19,812, respectively.

VII. Prior Period Adjustment

During the fiscal year ended June 30, 2015, the Town determined that certain long term liabilities that were subject to accrual in the governmental activities and business-type activities, had been omitted. Therefore, an adjustment to beginning net position has been recorded to account for those accruals, the net effect of which increased net position in the governmental activities and decreased net position in the business-type activities by \$12,000 and \$613,443, respectively. These liabilities are not recorded on the modified accrual basis of accounting; therefore, fund balance is not affected.

During the fiscal year ended June 30, 2015, the Town determined that compensated absences were subject to accrual in the governmental activities had been omitted. Therefore, an adjustment to beginning net position has been recorded to account for those accruals, the net effect of which decreased net position in the governmental activities by \$25,907, respectively. These liabilities are not recorded on the modified accrual basis of accounting; therefore, fund balance is not affected.

Required Supplementary Financial Data

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Snow Hill's proportion of the net pension liability (asset) (%)	0.00681%	0.00670%
Snow Hill's proportion of the net pension liability (asset) (\$)	\$ 43,641	\$ 79,555
Snow Hill's covered-employee payroll	\$ 499,739	\$ 466,306
Snow Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.73%	17.06%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	\$ 35,813	\$ 36,203
Contributions in relation to the contractually required contribution	35,813	36,203
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Dogwood's covered-employee payroll	\$ 499,739	\$ 466,306
Contributions as a percentage of covered-employee payroll	7.17%	7.76%

Supplemental Information

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad Valorem Taxes:			
Current year	\$ 335,000	\$ 368,140	\$ 33,140
Prior year	10,500	12,991	2,491
Interest	3,000	5,136	2,136
Total Ad Valorem Taxes	<u>\$ 348,500</u>	<u>\$ 386,267</u>	<u>\$ 37,767</u>
Other Taxes and Licenses:			
Automobile licenses tags	\$ 6,000	\$ 8,784	\$ 2,784
Total Other Taxes and Licenses	<u>\$ 6,000</u>	<u>\$ 8,784</u>	<u>\$ 2,784</u>
Unrestricted Intergovernmental:			
Local option sales taxes	\$ 134,000	\$ 154,422	\$ 20,422
Utility franchise tax	50,000	68,398	18,398
Piped natural gas	5,000	6,395	1,395
Telecommunications sales tax	30,000	27,656	(2,344)
Supplement PEG channel support	72,000	71,880	(120)
Beer and wine tax	5,000	7,593	2,593
ABC Revenue	2,000	4,691	2,691
Video franchise fee	5,000	4,893	(107)
Solid waste dist. Tax	1,100	1,027	(73)
Total Unrestricted Intergovernmental	<u>\$ 304,100</u>	<u>\$ 346,955</u>	<u>\$ 42,855</u>
Restricted Intergovernmental:			
Cultural and recreation grant	\$ 8,200	\$ 8,250	\$ (50)
Powell Bill allocation	45,000	48,956	3,956
Total Restricted Intergovernmental	<u>\$ 53,200</u>	<u>\$ 57,206</u>	<u>\$ 3,906</u>
Sales and Services:			
Waste collection fees	\$ 100,000	\$ 102,636	\$ 2,636
Cemetary lot sales and department fees	51,000	75,490	24,490
Police revenue	34,635	47,521	12,886
Zoning	700	780	80
Total Sales and Services	<u>\$ 186,335</u>	<u>\$ 226,427</u>	<u>\$ 40,092</u>
Investment earnings	<u>\$ 1,100</u>	<u>\$ 573</u>	<u>\$ (527)</u>
Miscellaneous:			
Other revenues	\$ 11,200	\$ 11,566	\$ 366
Rent	19,300	14,465	(4,835)
Insurance proceeds	30,920	30,920	-
Gasoline tax refund	600	445	(155)
Total Miscellaneous	<u>\$ 62,020</u>	<u>\$ 57,396</u>	<u>\$ (4,624)</u>
Total Revenues	<u>\$ 961,255</u>	<u>\$ 1,083,608</u>	<u>\$ 122,253</u>

(Continued)

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

<i>(Continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ 35,270	\$ 35,258	\$ 12
Operating expenditures	19,800	17,948	1,852
Total Governing Body	<u>\$ 55,070</u>	<u>\$ 53,206</u>	<u>\$ 1,864</u>
Administration:			
Salaries and employee benefits	\$ 41,411	\$ 40,652	\$ 759
Operating expenses	70,040	63,702	6,338
Total Administration	<u>\$ 111,451</u>	<u>\$ 104,354</u>	<u>\$ 7,097</u>
Cemetery Department:			
Salaries and employee benefits	\$ 43,760	\$ 43,166	\$ 594
Professional services	14,500	8,494	6,006
Operating expenses	7,800	7,500	300
Capital outlay	4,010	4,004	6
Total Cemetery Department	<u>\$ 70,070</u>	<u>\$ 63,164</u>	<u>\$ 6,906</u>
Total General Government	<u>\$ 236,591</u>	<u>\$ 220,724</u>	<u>\$ 15,867</u>
Public Safety:			
Police Department:			
Salaries and employee benefits	\$ 204,142	\$ 200,150	\$ 3,992
Operating expenses	49,476	46,567	2,909
Capital outlay	34,775	34,768	7
Total Police Department	<u>\$ 288,393</u>	<u>\$ 281,485</u>	<u>\$ 6,908</u>
Fire Department:			
Contributions	<u>34,000</u>	<u>34,000</u>	<u>-</u>
Rescue Units:			
Contracted services	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Public Safety	<u>\$ 324,393</u>	<u>\$ 317,485</u>	<u>\$ 6,908</u>

(Continued)

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

<i>(Continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 28,665	\$ 27,796	\$ 869
Operating expenditures	80,190	79,062	1,128
Total Streets	<u>\$ 108,855</u>	<u>\$ 106,858</u>	<u>\$ 1,997</u>
Powell Bill:			
Salaries and employee benefits	\$ 25,905	\$ 25,549	\$ 356
Operating expenditures	108,272	104,046	4,226
Capital outlay	4,004	4,004	-
Total Powell Bill	<u>\$ 138,181</u>	<u>\$ 133,599</u>	<u>\$ 4,582</u>
Total Transportation	<u>\$ 247,036</u>	<u>\$ 240,457</u>	<u>\$ 6,579</u>
Environmental Protection:			
Sanitation Department			
Salaries and employee benefits	\$ 20,590	\$ 20,239	\$ 351
Waste collection	91,800	92,226	(426)
Operating expenses	18,990	17,492	1,498
Total Environmental Protection	<u>\$ 131,380</u>	<u>\$ 129,957</u>	<u>\$ 1,423</u>
Cultural and Recreational:			
Contribution to County Library	\$ 4,250	\$ 4,250	\$ -
Historic preservation	1,250	1,626	(376)
Area contributions	9,775	7,000	2,775
PEG channel contributions	72,000	71,656	344
Town Development Committee	11,400	11,361	39
Capital outlay	1,054	-	1,054
Total Cultural and Recreational	<u>\$ 99,729</u>	<u>\$ 95,893</u>	<u>\$ 3,836</u>
Debt Service:			
Principal retirement			
Interest and other charges	\$ 23,130	\$ 23,086	\$ 44
Total Debt Service	<u>\$ 23,130</u>	<u>\$ 23,086</u>	<u>\$ 44</u>
Total Expenditures	<u>\$ 1,062,259</u>	<u>\$ 1,027,602</u>	<u>\$ 34,657</u>
Revenues Over (Under) Expenditures	<u>\$ (101,004)</u>	<u>\$ 56,006</u>	<u>\$ 157,010</u>
Other Financing Sources (Uses):			
Sale of capital assets	\$ 12,000	\$ 12,000	\$ -
Fund balance appropriated	89,004	-	(89,004)
Total Other Financing Sources (Uses)	<u>\$ 101,004</u>	<u>\$ 12,000</u>	<u>\$ (89,004)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 68,006</u>	<u>\$ 68,006</u>
Fund balance, beginning		1,014,344	
Fund balances, ending		<u>\$ 1,082,350</u>	

Town of Snow Hill, North Carolina
Water and Sewer
Schedule of Revenues and Expenditures
Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating Revenues:			
Charges for Services:			
Water charges	\$ 408,000	\$ 414,750	\$ 6,750
Sewer charges	493,700	516,923	23,223
Services Rendered:			
Jason Water Corporation	-	22,928	22,928
Total Charges for Services	<u>\$ 901,700</u>	<u>\$ 954,601</u>	<u>\$ 52,901</u>
Water & sewer taps	\$ 4,000	\$ 3,979	\$ (21)
Operating Revenues:			
Alternative water	77,000	80,444	3,444
Total Other Operating Revenues	<u>\$ 77,000</u>	<u>\$ 80,444</u>	<u>\$ 3,444</u>
Total Operating Revenues	<u>\$ 982,700</u>	<u>\$ 1,039,024</u>	<u>\$ 56,324</u>
Non-operating Revenues:			
Interest earned on investments	\$ 500	\$ 431	\$ (69)
Service charge	6,000	6,675	(675)
Insurance proceeds	48,301	48,302	(1)
Miscellaneous	1,000	846	154
Total Non-operating Revenues	<u>\$ 55,801</u>	<u>\$ 56,254</u>	<u>\$ (591)</u>
Total Revenues	<u>\$ 1,038,501</u>	<u>\$ 1,095,278</u>	<u>\$ 56,777</u>
EXPENDITURES			
Water:			
Salaries and employee benefits	\$ 156,362	\$ 151,526	\$ 4,836
WASA/Alternative water fees	4,000	3,936	64
Operating expenses	234,977	220,979	13,998
Total Water	<u>\$ 395,339</u>	<u>\$ 376,441</u>	<u>\$ 18,898</u>
Sewer:			
Salaries and employee benefits	\$ 169,910	\$ 164,049	\$ 5,861
Operating expenses	256,944	242,096	14,848
Total Sewer	<u>\$ 426,854</u>	<u>\$ 406,145</u>	<u>\$ 20,709</u>
Debt Service:			
Interest	\$ 29,738	\$ 19,142	\$ 10,596
Principal	82,500	93,039	(10,539)
Total Debt Service	<u>\$ 112,238</u>	<u>\$ 112,181</u>	<u>\$ 57</u>

(Continued)

Town of Snow Hill, North Carolina
Water and Sewer
Schedule of Revenues and Expenditures
Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015

<i>(Continued)</i>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital Outlay - Water	131,265	127,431	3,834
Capital Outlay - Sewer	17,495	17,340	\$ 155
Total Capital Outlay	<u>148,760</u>	<u>144,771</u>	<u>\$ 3,989</u>
Total Expenditures	<u>\$ 1,083,191</u>	<u>\$ 1,039,538</u>	<u>\$ 43,653</u>
Revenues Over (Under) Expenses	<u>\$ (44,690)</u>	<u>\$ 55,740</u>	<u>\$ 100,430</u>
Other Financing Sources (Uses):			
Contingency	(11,325)	-	11,325
Fund balance appropriated	56,015	-	(56,015)
Total Other Financing Sources (Uses)	<u>44,690</u>	<u>-</u>	<u>(44,690)</u>
Revenues and Other Sources Over (Under) Expenditures	<u><u> </u></u>	<u>\$ 55,740</u>	<u>\$ 55,740</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over (Under) Expenditures		<u>\$ 55,740</u>	
Reconciling items:			
Capital outlay		757,296	
Depreciation		(254,572)	
Loan proceeds		(802,758)	
Principal retirement		95,332	
Decrease in bond interest accrued		237	
Increase in accrued vacation pay		(1,140)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		(16,365)	
Pension expense		(2,774)	
Sales tax refund claim		241	
Capital contribution		621,955	
Total Reconciling Items		<u>\$ 397,452</u>	
Net Income (Loss)		<u><u>\$ 453,192</u></u>	

Town of Snow Hill, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Small Business Grant	Total Non- major Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 100	\$ 100
Total Assets	\$ 100	\$ 100
LIABILITIES & FUND BALANCE		
Due to General Fund	\$ 100	\$ 100
Total Liabilities	\$ 100	\$ 100
Fund Balances	-	-
Total Liabilities & Fund Balances	\$ -	\$ -

Town of Snow Hill, North Carolina
Combining Balance Sheet
Expenditures and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Small Business Grant	Total Non- major Governmental Funds
REVENUES		
Restricted intergovernment	\$ 193,436	\$ 193,436
Total Revenue	\$ 193,436	\$ 193,436
 EXPENDITURES		
Economic physical development	\$ 193,400	\$ 193,400
Revenues over expenditures	36	36
Over (Under) Expenditures	\$ 36	\$ 36
Fund Balance, beginning	(36)	(36)
Fund Balance, ending	\$ -	\$ -

Town of Snow Hill, North Carolina
Water/Sewer Automatic Meter Reading Project
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
REVENUES					
PWS_DENR Revolving Fund	\$ 790,433	\$ 590,916	\$ 137,770	\$ 728,686	\$ 61,747
Total Revenues	<u>\$ 790,433</u>	<u>\$ 590,916</u>	<u>\$ 137,770</u>	<u>\$ 728,686</u>	<u>\$ 61,747</u>
EXPENDITURES					
Contingency	\$ 31,438	\$ -	\$ -	\$ -	\$ 31,438
Funding assistance	7,500	-	-	-	7,500
Development of plans	44,014	39,612	2,537	42,149	1,865
Engineering/Inspect	75,215	59,651	28,054	87,705	(12,490)
Legal fees	3,000	-	-	-	3,000
Advertising	500	965	-	965	(465)
Construction of meters	628,766	490,688	97,508	588,196	40,570
Total Expenditures	<u>\$ 790,433</u>	<u>\$ 590,916</u>	<u>\$ 128,099</u>	<u>\$ 719,015</u>	<u>\$ 71,418</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,671</u>	<u>\$ 9,671</u>	<u>\$ (9,671)</u>
Fund Balance, beginning			<u>-</u>		
Fund Balance, ending			<u>\$ 9,671</u>		

Town of Snow Hill, North Carolina
Water Line Replacement Capital Project Fund
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
PWS Loan Proceeds	\$ 668,500	\$ -	\$ 484,185	\$ 484,185	\$ 184,315
Sales tax refund claim	-	-	241	241	241
Total Revenues	<u>\$ 668,500</u>	<u>\$ -</u>	<u>\$ 484,426</u>	<u>\$ 484,426</u>	<u>\$ 184,556</u>
EXPENDITURES					
Contingency	\$ 19,325	\$ -	\$ -	\$ -	\$ 19,325
Legal fees	2,000	-	-	-	2,000
Engineer design	59,030	-	53,112	53,112	5,918
Construction administration / observation	44,315	-	39,386	39,386	4,929
Closing costs	13,120	-	-	-	13,120
Construction / Water line replacement	517,210	-	391,928	391,928	125,282
Permitting	1,000	-	-	-	1,000
Funding assistance	12,500	-	-	-	12,500
Total Expenditures	<u>\$ 668,500</u>	<u>\$ -</u>	<u>\$ 484,426</u>	<u>\$ 484,426</u>	<u>\$ 184,074</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482</u>

Town of Snow Hill, North Carolina
Community Development Block Grant
Small Business Entrepreneurial Grant
From Inception and For the Fiscal Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Favorable (Unfavorable)</u>
			<u>Current Year</u>	<u>Total to Date</u>	
REVENUES					
Restricted Intergovernmental					
NC Department of Commerce	\$ 250,000	\$ 56,564	\$ 193,436	\$ 250,000	\$ -
Total Revenues	<u>\$ 250,000</u>	<u>\$ 56,564</u>	<u>\$ 193,436</u>	<u>\$ 250,000</u>	<u>\$ -</u>
EXPENDITURES					
Project administration	\$ 21,500	\$ 4,564	\$ 16,936	\$ 21,500	\$ -
Planning	8,500	-	8,500	8,500	-
Other activities	-	36	(36)	-	-
Rehabilitation	139,180	2,000	137,180	139,180	-
Working capital	80,820	50,000	30,820	80,820	-
Total Expenditures	<u>\$ 250,000</u>	<u>\$ 56,600</u>	<u>\$ 193,400</u>	<u>\$ 250,000</u>	<u>\$ -</u>
Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (36)</u>	\$ 36	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, beginning			<u>(36)</u>		
Fund Balance, ending			<u>\$ -</u>		

Other Schedules

This section contains additional information on property taxes.

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

Town of Snow Hill, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 379,109	\$ 369,879	\$ 9,230
2013-2014	9,195	-	4,827	4,368
2012-2013	3,797	-	1,117	2,680
2011-2012	3,093	-	799	2,294
2010-2011	2,789	-	370	2,419
2009-2010	2,138	-	160	1,978
2008-2009	2,616	-	168	2,448
2007-2008	1,781	488	171	2,098
2006-2007	1,820	-	104	1,716
2005-2006	1,445	707	186	1,966
2004-2005	978	-	978	-
	<u>\$ 29,652</u>	<u>\$ 380,304</u>	<u>\$ 378,759</u>	<u>\$ 31,198</u>
Less: allowance for uncollectible ad valorem taxes receivable	<u>(17,130)</u>			<u>(8,420)</u>
Ad valorem taxes receivable - net	<u>\$ 12,522</u>			<u>\$ 22,778</u>
Reconcilement with revenues:				
Taxes - Ad valorem - General Fund				\$ 386,267
Reconciling Items:				
Interest and penalties collected				(5,136)
Releases and other adjustments				(3,214)
Amounts written off per Statute of Limitations and Abatements				842
Total Reconciling Items				<u>\$ (7,508)</u>
Total Collections and Credits				<u>\$ 378,759</u>

Town of Snow Hill, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2015

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Rate:					
General tax	\$ 107,981,429	0.35	\$ 377,935	\$ 330,259	\$ 47,676
Total	<u>\$ 107,981,429</u>		<u>\$ 377,935</u>	<u>\$ 330,259</u>	<u>\$ 47,676</u>
Releases & Abatements	<u>\$ 335,429</u>		<u>\$ 1,174</u>	<u>\$ 1,174</u>	<u>\$ -</u>
Total Property Valuation	<u><u>\$ 108,316,857</u></u>				
Net Levy			\$ 379,109	\$ 331,433	\$ 47,676
Uncollected Taxes at June 30, 2015			<u>\$ 9,230</u>	<u>\$ 9,230</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u>\$ 369,879</u>	<u>\$ 322,203</u>	<u>\$ 47,676</u>
Current Levy Collection Percentage			<u>97.57%</u>	<u>97.22%</u>	<u>100.00%</u>

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Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the Town Council
Town of Snow Hill, North Carolina

I have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Snow Hill, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Snow Hill's basic financial statements and have issued my report thereon dated October 9, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Snow Hill's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Snow Hill's internal control. Accordingly, I 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 Town of Snow Hill's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies (2015-01 and 2015-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Snow Hill's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Snow Hill's Response to Findings

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

Purpose of this Report

This purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Andrew Harris, CPA PLLC". The signature is written in a cursive, flowing style.

Farmville, North Carolina
October 9, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the Town Council
Town of Snow Hill, North Carolina

I have audited the Town of Snow Hill, North Carolina's compliance with the types of compliance requirements described in the OMB *Circular A-133 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 Authority's major federal programs for the year ended June 30, 2015. The Town of Snow Hill'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

My responsibility is to express an opinion on compliance for each of the Town of Snow Hill's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that I 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 Snow Hill's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Town of Snow Hill's compliance.

Opinion on Each Major Federal Program

In my opinion, the Town of Snow Hill 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1. My opinion on each major federal program is not modified with respect to these matters.

The Town of Snow Hill's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Town of Snow Hill's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

Management of the Town of Snow Hill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town of Snow Hill'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 my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Entity'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Andrew Harris, CPA PLLC

Farmville, North Carolina
October 9, 2015

Town of Snow Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses X yes _____none reported

Noncompliance material to financial statements noted _____yes X no

Federal Awards

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses _____yes X 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 Section 510(a) of Circular A-133 _____yes X no

Identification of major federal programs:

CFDA No. Name of Federal Program or Cluster
66.468 Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? _____yes X no

**Town of Snow Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015**

Section II - Financial Statement Findings

Significant Deficiencies

Finding: 2015-01 Segregation of Duties

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

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

Effect: Transactions could be mishandled.

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

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

Views of responsible officials: The Town agrees with this finding and will adhere to the correction action plan.

Finding: 2015-02 Prior Period Adjustment

Criteria: The Town should recognize all prior period adjustments in its accounting function.

Condition: The Town reported a prior period adjustment in the governmental and business-type activities amounting to an increase of \$7,603 and a decrease of \$633,255, respectively.

Effect: The Town understated long term liabilities.

Cause: The Town did not report long term liabilities during the prior year.

Recommendation: The Town should report all long term liabilities.

Views of responsible officials: The Town agrees with this finding. The Town will improve its reportin process at year end to ensure long term liabilities are properly reported at year end.

**Town of Snow Hill, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015**

Section III – Federal Award Findings and Questioned Costs

None reported.

**Town of Snow Hill, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2015**

Section II - Financial Statement Findings

Significant Deficiencies

Finding: 2015-01 Segregation of Duties

Name of contact person: Dana Hill, Town Administrator

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

Finding: 2015-01 Prior Period Adjustment

Name of contact person: Dana Hill, Town Administrator

Corrective Action: Management will implement procedures and reporting requirements to ensure all long term liabilities will be properly reported.

Proposed Completion Date: June 30, 2016

Section III – Federal Award Findings and Questioned Costs

None Reported.

**Town of Snow Hill, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2015**

None reported.

Town of Snow Hill, North Carolina
Schedule of Expenditures of State Awards
June 30, 2015

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
FEDERAL GRANTS:			
U.S. Department of Environmental Protection Agency			
Passed through NC Department of Environment and Natural Resources			
Division of Water Infrastructure			
Drinking Water State Revolving Fund	66.468	128,099	-
Drinking Water State Revolving Fund	66.468	476,836	-
Total U.S. Department of Environmental Protection Agency		<u>604,935</u>	<u>-</u>
U.S. Department of Housing and Urban Development			
Passed through NC Department of Commerce Community Assistance			
Community Development and Planning Division			
CDBG Small Business Entrepreneurial Grant	14.228	193,436	-
Total U.S. Department of Housing and Urban Development		<u>193,436</u>	<u>-</u>
STATE GRANTS:			
N.C. Department of Transportation:			
Powell Bill	N/A	\$ -	\$ 106,858
Total		<u>\$ -</u>	<u>\$ 106,858</u>
Total Assistance		<u>\$ 798,371</u>	<u>\$ 106,858</u>