

**CITY OF THOMASVILLE
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Thomasville, North Carolina

Report On the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Thomasville Board of Education, which represents 94.71 percent, 93.49 percent, and 99.53 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us and; our opinion, insofar as it relates to the amounts included for the Thomasville Board of Education, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Thomasville ABC Board and Thomasville Tourism Commission were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Thomasville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015 on our consideration of City of Thomasville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant, agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Thomasville's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

October 2, 2015

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Management's Discussion and Analysis

As management of the City of Thomasville, we offer readers of the City of Thomasville's financial statements this narrative overview and analysis of the financial activities of the City of Thomasville 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 City's financial statements which follow this narrative.

Financial Highlights

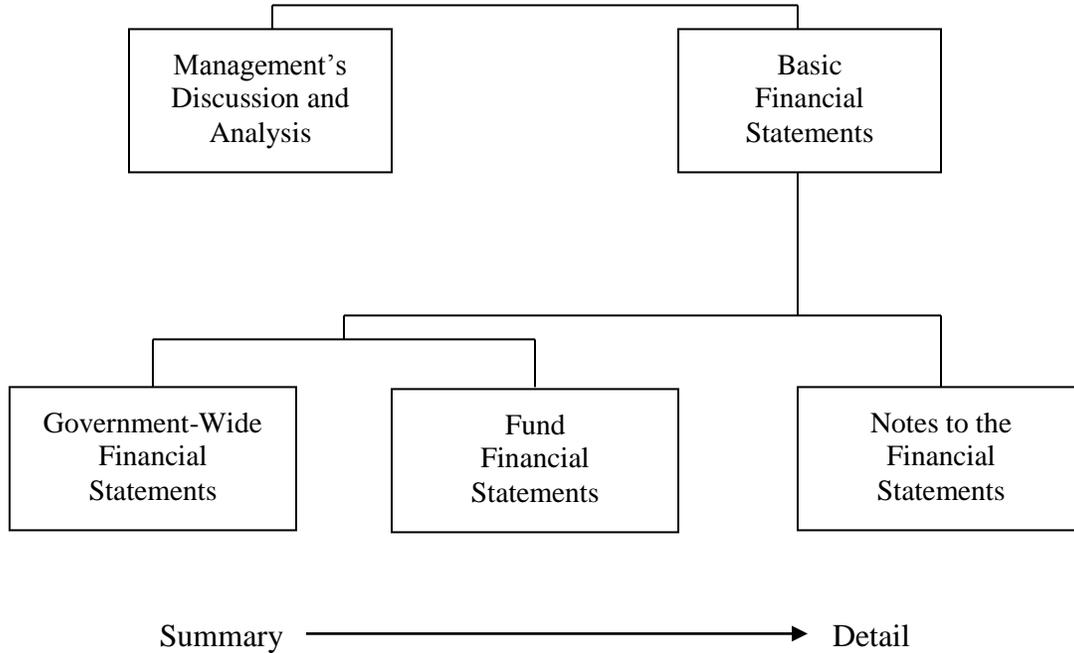
- The assets and deferred outflows of the City of Thomasville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,254,622 (net position).
- The government's total net position increased by \$3,215,182 due to increases in governmental and business-type activities.
- As of the close of the current fiscal year, the City of Thomasville's governmental funds reported combined ending fund balances of \$10,399,747, an increase of \$1,068,425 in comparison with the prior year. Currently, 35.2% of this total amount, or \$3,658,600, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$6,706,132, or 37%, of total General Fund expenditures and transfer to other funds.
- Water and Sewer Fund current assets increased 14.80%. At June 30, 2015, current assets exceeded current liabilities for the fifth consecutive year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Thomasville's basic financial statements. The City'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 City 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 City of Thomasville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the City'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 City'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 City's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and golf services offered by the City of Thomasville. The final category is the component units. Although legally separate from the City, the City School Board, ABC Board, and Tourism Commission are important to the City because the City exercises control over the School Board, ABC Board, and Tourism Commission by appointing its members and setting the local tax rate for the School Board and Tourism Commission. The ABC Board is required to distribute its profits to the City.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City'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 City of Thomasville, 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 City's budget ordinance. All of the funds of the City of Thomasville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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 City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds. The City of Thomasville has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Thomasville uses enterprise funds to account for its water and sewer activity and for its golf operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-69 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Thomasville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 70 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis
City of Thomasville's Net Position**

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 13,717,139	\$ 11,580,353	\$ 8,165,587	\$ 6,993,413	\$ 21,882,726	\$ 18,573,766
Capital assets	11,096,643	10,542,216	45,573,755	45,980,245	56,670,398	56,522,461
Total assets	24,813,782	22,122,569	53,739,342	52,973,658	78,553,124	75,096,227
Deferred outflow	685,500	684,013	140,404	140,099	825,904	824,112
Liabilities:						
Long-term liabilities	3,889,655	5,392,044	36,657,507	38,630,061	40,547,162	44,022,105
Other liabilities	2,295,839	1,987,044	4,042,650	3,870,348	6,338,489	5,857,392
Total liabilities	6,185,494	7,379,088	40,700,157	42,500,409	46,885,651	49,879,497
Deferred Inflows of Resources:						
Pension deferrals	2,687,003	-	550,350	-	3,237,353	-
Prepaid taxes	1,402	1,402	-	-	1,402	1,402
Total deferred inflows of resources	2,688,405	1,402	550,350	-	3,238,755	1,402
Net Position:						
Net investment in capital assets	8,613,620	8,567,843	5,937,456	4,974,081	14,551,076	13,541,924
Restricted	3,589,355	3,778,323	-	-	3,589,355	3,778,323
Unrestricted	4,422,408	3,079,926	6,691,783	5,639,267	11,114,191	8,719,193
Total net position	\$ 16,625,383	\$ 15,426,092	\$ 12,629,239	\$ 10,613,348	\$ 29,254,622	\$ 26,039,440

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Thomasville exceeded its liabilities and deferred inflows of resources by \$ 29,254,622 as of June 30, 2015. The City's net position increased by \$3,215,182 for the fiscal year ended June 30, 2015. However, the largest portion (50%) reflects the City's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Thomasville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 City of Thomasville's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,114,191 is unrestricted. Also, the City of Thomasville implemented GASB Statement 68 this year. With the new reporting change, the City 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 \$1,874,742. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Thomasville's management.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental and business-type net position:

- General Fund expenditures were 8.2% under budgetary estimates.
- Water and sewer revenues were 3.45% higher than the previous fiscal year.
- Water and sewer expenses were 12.6% under budgetary estimates.

City of Thomasville's Changes in Net Position

Figure 3

	2015			2014		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,413,301	\$ 12,343,318	\$ 13,756,619	\$ 1,465,320	\$ 11,998,172	\$ 13,463,492
Operating grants and contributions	1,504,918	-	1,504,918	1,979,850	-	1,979,850
Capital grants and contributions	-	456,486	456,486	676,355	858	677,213
General revenues:						
Property taxes	11,060,446	-	11,060,446	11,378,492	-	11,378,492
Other taxes	5,351,690	-	5,351,690	4,963,730	-	4,963,730
Miscellaneous	1,815,923	8,817	1,824,740	1,481,449	5,827	1,487,276
Total revenues	<u>21,146,278</u>	<u>12,808,621</u>	<u>33,954,899</u>	<u>21,945,196</u>	<u>12,004,857</u>	<u>33,950,053</u>
Expenses:						
General government	3,982,805	-	3,982,805	3,537,443	-	3,537,443
Public works	4,581,409	-	4,581,409	5,013,700	-	5,013,700
Public safety	9,703,671	-	9,703,671	10,204,895	-	10,204,895
Economic and physical development	457,063	-	457,063	961,909	-	961,909
Culture and recreation	1,047,604	-	1,047,604	1,123,286	-	1,123,286
Interest on long-term debt	53,692	-	53,692	42,215	-	42,215
Water and sewer	-	10,058,949	10,058,949	-	9,938,262	9,938,262
Golf course	-	854,524	854,524	-	884,331	884,331
Total expenses	<u>19,826,244</u>	<u>10,913,473</u>	<u>30,739,717</u>	<u>20,883,448</u>	<u>10,822,593</u>	<u>31,706,041</u>
Increase (decrease) in net position before transfers	1,320,034	1,895,148	3,215,182	1,061,748	1,182,264	2,244,012
Transfers in (out)	<u>(120,743)</u>	<u>120,743</u>	<u>-</u>	<u>(120,743)</u>	<u>120,743</u>	<u>-</u>
Increase (decrease) in net position	<u>1,199,291</u>	<u>2,015,891</u>	<u>3,215,182</u>	<u>941,005</u>	<u>1,303,007</u>	<u>2,244,012</u>
Net Position:						
Beginning of year - July 1	16,982,128	10,932,054	27,914,182	16,041,123	9,629,047	25,670,170
Restatement	<u>(1,556,036)</u>	<u>(318,706)</u>	<u>(1,874,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>
July 1 (restated)	<u>15,426,092</u>	<u>10,613,348</u>	<u>26,039,440</u>	<u>16,041,123</u>	<u>9,629,047</u>	<u>25,670,170</u>
End of year - June 30	<u>\$ 16,625,383</u>	<u>\$ 12,629,239</u>	<u>\$ 29,254,622</u>	<u>\$ 16,982,128</u>	<u>\$ 10,932,054</u>	<u>\$ 27,914,182</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,199,291. Key elements of this increase are as follows:

- Property tax collections exceeded budget estimates by \$214,648.
- General government expenditures were \$300,763 (15.7%) under budgetary estimates.
- Public safety expenditures were \$711,021 (6.25%) under budgetary estimates.
- Public works expenditures were \$300,547 (5.5%) under budgetary estimates.

Business-Type Activities. Business-type activities increased the City of Thomasville's net position by \$2,015,891. Key elements of this increase are as follows:

- The City raised water and sewer rates 3.60% as per their 5-year rate study. This rate adjustment resulted in a revenue increase of \$336,425.
- Maintenance and construction expenses were \$885,978 (32.0%) under budgetary estimates.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Thomasville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Thomasville's financing requirements. Specifically, available for appropriation 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 City of Thomasville. At the end of the current fiscal year, the City of Thomasville's fund balance available in the General Fund was \$6,706,132, while total fund balance reached \$9,417,919. The governing body of the City of Thomasville has determined that the City should maintain an available fund balance of 20.0% of General Fund expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 37% of General Fund expenditures and transfers to other funds, while total fund balance represents 52% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the City 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. The City increased the General Fund budget by \$267,664. The increase was necessary to incorporate funding received for a grant to purchase a Solid Waste vehicle.

Proprietary Funds. The City of Thomasville'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 \$6,975,021. The total changes in net position for the Water and Sewer Fund was \$2,292,600. Unrestricted net position of the Golf Course Fund at the end of the fiscal year amounted to \$(283,238). Total changes in net position for the Golf Course Fund was \$(276,709). Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Thomasville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Thomasville’s investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals \$56,670,398 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Additional information on the City’s capital assets can be found beginning on page 40 of this report.

City of Thomasville’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2015	2015	2015	2014	2014	2014
Land	\$ 1,252,473	\$ 662,153	\$ 1,914,626	\$ 1,252,473	\$ 662,153	\$ 1,914,626
Buildings	3,274,483	1,353,943	4,628,426	3,416,602	1,669,455	5,086,057
Other improvements	1,509,670	19,930,866	21,440,536	1,583,802	20,807,149	22,390,951
Infrastructure	1,039,822	17,889,330	18,929,152	1,098,326	17,972,405	19,070,731
Equipment and vehicles	4,020,195	1,340,285	5,360,480	3,158,238	1,084,207	4,242,445
Construction in progress	-	4,397,178	4,397,178	32,775	3,784,876	3,817,651
Total	\$ 11,096,643	\$ 45,573,755	\$ 56,670,398	\$ 10,542,216	\$ 45,980,245	\$ 56,522,461

Long-Term Debt. As of June 30, 2015, the City of Thomasville had total bonded debt outstanding of \$13,869,836. Of this, \$-0- is backed by the full faith and credit of the City. The remainder of the City’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Thomasville’s Outstanding Debt Revenue Bonds

Figure 5

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ 13,130,000	\$ 14,718,334
Add premiums	-	-	753,383	810,577
Less discounts	-	-	(13,547)	(21,223)
Total	\$ -	\$ -	\$ 13,869,836	\$ 15,507,688

The City of Thomasville's total bonded debt decreased by \$1,637,852 during the past fiscal year, primarily due to the repayment of outstanding debt.

The City maintained its Moody's Investor Service Rating of A1 and upgraded to an A+ rating from Standard and Poor's Corporation.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Thomasville is approximately \$95,000,000. The City has \$-0- in bonds authorized but unissued as June 30, 2015.

Additional information regarding the City of Thomasville's long-term debt can be found beginning on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- Unemployment in the State of North Carolina was 6.1% as of June 30, 2015, and Davidson County's rate of unemployment was 5.9%. The State unemployment rate has decreased from 6.4% as of June 30, 2014, and Davidson County's rate has decreased from 6.7% a year ago.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. Revenues are expected to remain level for the coming fiscal year. One-half (1/2) cent of the tax rate has been pledged to economic development reserves.

Business-Type Activities. The water and sewer rates in the City will increase by 3.0% as projected in the rate study.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Director of Finance, City of Thomasville, P.O. Box 368, Thomasville, North Carolina 27361.

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,880,046	\$ 4,930,440	\$ 12,810,486
Restricted cash	760,639	359,875	1,120,514
Receivables:			
Accounts receivable, net	3,743,152	2,167,524	5,910,676
Due from primary government	-	-	-
Internal balances	175,621	(175,621)	-
Inventories	79,482	234,100	313,582
Investment in joint venture	-	428,433	428,433
Prepaid items	-	-	-
Total current assets	<u>12,638,940</u>	<u>7,944,751</u>	<u>20,583,691</u>
Non-current assets:			
Net pension asset	1,078,199	220,836	1,299,035
Capital assets:			
Land and construction in progress	1,252,473	5,059,331	6,311,804
Other capital assets, net of depreciation	9,844,170	40,514,424	50,358,594
Total capital assets	<u>11,096,643</u>	<u>45,573,755</u>	<u>56,670,398</u>
Total non-current assets	<u>12,174,842</u>	<u>45,794,591</u>	<u>57,969,433</u>
Total assets	<u>24,813,782</u>	<u>53,739,342</u>	<u>78,553,124</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	685,500	140,404	825,904
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	814,099	106,410	920,509
Accrued interest payable	-	172,947	172,947
Due to primary government	-	-	-
Due to component units	14,362	-	14,362
Prepaid fees	-	22,069	22,069
Current portion of long-term liabilities	1,425,319	3,381,349	4,806,668
Liabilities to be paid from restricted assets:			
Customer deposits	42,059	359,875	401,934
Total current liabilities	<u>2,295,839</u>	<u>4,042,650</u>	<u>6,338,489</u>
Long-term liabilities:			
Due in more than one year	3,889,655	36,657,507	40,547,162
Total liabilities	<u>6,185,494</u>	<u>40,700,157</u>	<u>46,885,651</u>
Deferred Inflows of Resources:			
Prepaid taxes	1,402	-	1,402
Pension deferrals	2,687,003	550,350	3,237,353
Total deferred inflows of resources	<u>2,688,405</u>	<u>550,350</u>	<u>3,238,755</u>
Net Position:			
Net investment in capital assets	8,613,620	5,937,456	14,551,076
Restricted for:			
Stabilization by State statute	2,689,317	-	2,689,317
Streets	718,580	-	718,580
Solid waste	12,504	-	12,504
Public safety	168,954	-	168,954
Other purposes	-	-	-
Unrestricted	4,422,408	6,691,783	11,114,191
Total net position	<u>\$ 16,625,383</u>	<u>\$ 12,629,239</u>	<u>\$ 29,254,622</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Component Units		
	Thomasville Board of Education	Alcoholic Beverage Control Board	Thomasville Tourism Commission
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,868,714	\$ 542,539	\$ 110,089
Restricted cash	-	-	-
Receivables:			
Accounts receivable, net	335,789	324	-
Due from primary government	515,672	-	14,362
Internal balances	-	-	-
Inventories	69,106	191,243	-
Investment in joint venture	-	-	-
Prepaid items	-	9,841	1,150
Total current assets	<u>4,789,281</u>	<u>743,947</u>	<u>125,601</u>
Non-current assets:			
Unamortized financing costs	-	-	-
Capital assets:			
Land and construction in progress	712,775	490,101	-
Other capital assets, net of depreciation	19,228,940	22,367	-
Total capital assets	<u>19,941,715</u>	<u>512,468</u>	<u>-</u>
Total non-current assets	<u>19,941,715</u>	<u>512,468</u>	<u>-</u>
Total assets	<u>24,730,996</u>	<u>1,256,415</u>	<u>125,601</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	1,315,999	-	-
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	665,549	102,244	4,262
Accrued interest payable	-	-	-
Due to primary government	-	25,154	-
Due to component units	-	-	-
Prepaid fees	-	-	-
Current portion of long-term liabilities	1,337,956	-	-
Liabilities to be paid from restricted assets:			
Customer deposits	-	-	-
Total current liabilities	<u>2,003,505</u>	<u>127,398</u>	<u>4,262</u>
Long-term liabilities:			
Due in more than one year	1,374,835	-	-
Total liabilities	<u>3,378,340</u>	<u>127,398</u>	<u>4,262</u>
Deferred Inflows of Resources:			
Prepaid taxes	167,545	-	-
Pension deferrals	4,548,185	-	-
Total deferred inflows of resources	<u>4,715,730</u>	<u>-</u>	<u>-</u>
Net Position:			
Net investment in capital assets	19,941,715	512,468	-
Restricted for:			
Stabilization by State statute	241,014	-	14,362
Streets	-	-	-
Solid waste	-	-	-
Public safety	-	556,110	-
Other purposes	1,062,742	-	106,977
Unrestricted	<u>(3,292,546)</u>	<u>60,439</u>	<u>-</u>
Total net position	<u>\$ 17,952,925</u>	<u>\$ 1,129,017</u>	<u>\$ 121,339</u>

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

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CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,982,805	\$ 67,055	\$ 26,262	\$ -
Public works	4,581,409	875,229	717,607	-
Public safety	9,703,671	187,849	292,786	-
Economic and physical development	457,063	-	457,063	-
Cultural and recreation	1,047,604	283,168	11,200	-
Debt service:				
Interest and fiscal charges	53,692	-	-	-
Total governmental activities	<u>19,826,244</u>	<u>1,413,301</u>	<u>1,504,918</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	10,058,949	11,886,323	-	456,486
Golf course	854,524	456,995	-	-
Total business-type activities	<u>10,913,473</u>	<u>12,343,318</u>	<u>-</u>	<u>456,486</u>
Total primary government	<u>\$ 30,739,717</u>	<u>\$ 13,756,619</u>	<u>\$ 1,504,918</u>	<u>\$ 456,486</u>
Component Units:				
Thomasville Board of Education	\$ 25,525,589	\$ 179,932	\$ 20,220,658	\$ 670
Alcoholic Beverage Control Board	-	-	-	-
Thomasville Tourism Commission	98,090	-	-	-
Total component units	<u>\$ 25,623,679</u>	<u>\$ 179,932</u>	<u>\$ 20,220,658</u>	<u>\$ 670</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Thomasville Board of Education	Alcoholic Beverage Control Board	Thomasville Tourism Commission
Primary Government:						
Governmental Activities:						
General government	\$ (3,889,488)	\$ -	\$ (3,889,488)			
Public works	(2,988,573)	-	(2,988,573)			
Public safety	(9,223,036)	-	(9,223,036)			
Economic and physical development	-	-	-			
Cultural and recreation	(753,236)	-	(753,236)			
Debt service:						
Interest and fiscal charges	(53,692)	-	(53,692)			
Total governmental activities	(16,908,025)	-	(16,908,025)			
Business-Type Activities:						
Water and sewer	-	2,283,860	2,283,860			
Golf course	-	(397,529)	(397,529)			
Total business-type activities	-	1,886,331	1,886,331			
Total primary government	(16,908,025)	1,886,331	(15,021,694)			
Component Units:						
Thomasville Board of Education				\$ (5,124,329)	\$ -	\$ -
Alcoholic Beverage Control Board				-	160,569	-
Thomasville Tourism Commission				-	-	(98,090)
Total component units				(5,124,329)	160,569	(98,090)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes	11,060,446	-	11,060,446	-	-	-
Unrestricted appropriations	1,796,123	-	1,796,123	4,807,482	-	-
Local option sales tax	4,981,811	-	4,981,811	-	-	-
Video programming tax	227,206	-	227,206	-	-	-
Solid waste disposal tax	17,125	-	17,125	-	-	-
Occupancy tax	125,548	-	125,548	-	-	119,520
Investment earnings, unrestricted	19,800	8,817	28,617	8,110	132	120
Miscellaneous	-	-	-	189,458	40	65
Total general revenues, excluding transfers	18,228,059	8,817	18,236,876	5,005,050	172	119,705
Transfers	(120,743)	120,743	-	-	-	-
Total general revenues and transfers	18,107,316	129,560	18,236,876	5,005,050	172	119,705
Change in net position	1,199,291	2,015,891	3,215,182	(119,279)	160,741	21,615
Net Position:						
Beginning of year - July 1	16,982,128	10,932,054	27,914,182	23,534,535	968,276	99,724
Restatement	(1,556,036)	(318,706)	(1,874,742)	(5,462,331)	-	-
Beginning of year, restated	15,426,092	10,613,348	26,039,440	18,072,204	968,276	99,724
End of year - June 30	\$ 16,625,383	\$ 12,629,239	\$ 29,254,622	\$ 17,952,925	\$ 1,129,017	\$ 121,339

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

CITY OF THOMASVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 6,903,524	\$ 976,522	\$ 7,880,046
Restricted cash	758,999	1,640	760,639
Taxes receivable, net	892,621	179,772	1,072,393
Accounts receivable, net	553,892	26,251	580,143
Due from other funds	185,858	30,761	216,619
Due from other governments	2,090,616	-	2,090,616
Inventories	79,482	-	79,482
Total assets	<u>\$ 11,464,992</u>	<u>\$ 1,214,946</u>	<u>\$ 12,679,938</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 782,867	\$ 31,232	\$ 814,099
Liabilities to be paid from restricted assets:			
Deposits	40,419	1,640	42,059
Due to other funds	30,761	10,237	40,998
Due to component units	14,362	-	14,362
Total liabilities	<u>868,409</u>	<u>43,109</u>	<u>911,518</u>
Deferred Inflows of Resources:			
Taxes receivable	892,621	179,772	1,072,393
Prepaid taxes	1,402	-	1,402
Grant receivable	-	10,237	10,237
Miscellaneous receivables	284,641	-	284,641
Total deferred inflows of resources	<u>1,178,664</u>	<u>190,009</u>	<u>1,368,673</u>
Fund Balances:			
Non-spendable:			
Inventories	79,482	-	79,482
Restricted:			
Stabilization by State statute	2,632,305	57,012	2,689,317
Restricted, all other	731,084	168,954	900,038
Committed for economic development	603,804	-	603,804
Assigned for general government	-	807,097	807,097
Unassigned	5,371,244	(51,235)	5,320,009
Total fund balances	<u>9,417,919</u>	<u>981,828</u>	<u>10,399,747</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,464,992</u>	<u>\$ 1,214,946</u>	<u>\$ 12,679,938</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

Total

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balance of governmental funds:	\$ 10,399,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,096,643
Net pension asset	1,078,199
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	685,500
Pension related deferrals	(2,687,003)
Liabilities for earned revenues but considered deferred inflows of resources in fund statements	1,367,271
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,314,974)</u>
Net position of governmental activities	<u>\$ 16,625,383</u>

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

CITY OF THOMASVILLE, 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>Nonmajor Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Revenues:			
Ad valorem taxes	\$ 9,792,398	\$ 1,378,470	\$ 11,170,868
Other taxes and licenses	5,351,690	-	5,351,690
Unrestricted intergovernmental	1,796,123	-	1,796,123
Restricted intergovernmental	781,044	498,359	1,279,403
Permits and fees	146,665	138,939	285,604
Sales and services	1,025,724	-	1,025,724
Contributions	199,294	15,984	215,278
Investment earnings	17,968	1,832	19,800
Miscellaneous	93,301	2,501	95,802
Total revenues	<u>19,204,207</u>	<u>2,036,085</u>	<u>21,240,292</u>
Expenditures:			
Current:			
General government	1,610,803	1,520,369	3,131,172
Public works	4,786,818	-	4,786,818
Public safety	10,438,729	46,973	10,485,702
Economic and physical development	-	457,063	457,063
Cultural and recreation	956,240	-	956,240
Miscellaneous	6,564	-	6,564
Debt service:			
Principal	656,128	-	656,128
Interest and other changes	53,692	-	53,692
Capital outlay	682,523	-	682,523
Total expenditures	<u>19,191,497</u>	<u>2,024,405</u>	<u>21,215,902</u>
Revenues over (under) expenditures	<u>12,710</u>	<u>11,680</u>	<u>24,390</u>
Other Financing Sources (Uses):			
Capital lease financing issued	1,164,778	-	1,164,778
Transfers from other funds	80,000	55,000	135,000
Transfers to other funds	(175,743)	(80,000)	(255,743)
Total other financing sources (uses)	<u>1,069,035</u>	<u>(25,000)</u>	<u>1,044,035</u>
Net change in fund balances	1,081,745	(13,320)	1,068,425
Fund Balances:			
Beginning of year - July 1	<u>8,336,174</u>	<u>995,148</u>	<u>9,331,322</u>
End of year - June 30	<u>\$ 9,417,919</u>	<u>\$ 981,828</u>	<u>\$ 10,399,747</u>

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

CITY OF THOMASVILLE, 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 (Exhibit B) are different because:

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 1,068,425
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these 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.	554,427
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(94,014)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(508,650)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	685,500
Expenses related to pension	(52,768)
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 the governmental funds.	
Compensated absences	(189,064)
OPEB	(188,402)
Net pension obligation (LEO)	<u>(76,163)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 1,199,291</u>

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

CITY OF THOMASVILLE, 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			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,577,750	\$ 9,577,750	\$ 9,792,398	\$ 214,648
Other taxes and licenses	5,323,147	5,357,497	5,351,690	(5,807)
Unrestricted intergovernmental	1,507,825	1,507,825	1,796,123	288,298
Restricted intergovernmental	719,500	771,479	781,044	9,565
Permits and fees	243,750	243,750	146,665	(97,085)
Sales and services	1,055,539	1,055,539	1,025,724	(29,815)
Contributions	232,454	252,454	199,294	(53,160)
Investment earnings	42,000	42,000	17,968	(24,032)
Miscellaneous	131,800	160,382	93,301	(67,081)
Total revenues	<u>18,833,765</u>	<u>18,968,676</u>	<u>19,204,207</u>	<u>235,531</u>
Expenditures:				
Current:				
General government	1,851,541	1,911,566	1,610,803	300,763
Public works	5,235,658	5,460,826	5,160,279	300,547
Public safety	11,366,284	11,374,944	10,663,923	711,021
Cultural and recreation	1,065,952	1,106,191	1,040,108	66,083
Miscellaneous	251,158	168,730	6,564	162,166
Debt service:				
Principal	694,514	689,014	656,128	32,886
Interest and other changes	37,686	59,186	53,692	5,494
Total expenditures	<u>20,502,793</u>	<u>20,770,457</u>	<u>19,191,497</u>	<u>1,578,960</u>
Revenues over (under) expenditures	<u>(1,669,028)</u>	<u>(1,801,781)</u>	<u>12,710</u>	<u>1,814,491</u>
Other Financing Sources (Uses):				
Capital lease financing issued	1,515,171	1,515,171	1,164,778	(350,393)
Transfers to other funds	(325,743)	(325,743)	(175,743)	150,000
Transfers from other funds	80,000	80,000	80,000	-
Appropriated fund balance	399,600	532,353	-	(532,353)
Total other financing sources (uses)	<u>1,669,028</u>	<u>1,801,781</u>	<u>1,069,035</u>	<u>(732,746)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,081,745</u>	<u>\$ 1,081,745</u>
Fund Balance:				
Beginning of year - July 1			<u>8,336,174</u>	
End of year - June 30			<u>\$ 9,417,919</u>	

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Major		Total
	Water and Sewer Fund	Golf Course Fund	
Assets:			
Current assets:			
Cash and investments	\$ 4,930,440	\$ -	\$ 4,930,440
Restricted cash and investments	359,475	400	359,875
Accounts receivable, net - billed	1,339,999	9,725	1,349,724
Accounts receivable, net - unbilled	817,800	-	817,800
Inventories	234,100	-	234,100
Investment in joint venture	428,433	-	428,433
Total current assets	<u>8,110,247</u>	<u>10,125</u>	<u>8,120,372</u>
Non-current assets:			
Pension asset	<u>181,865</u>	<u>38,971</u>	<u>220,836</u>
Capital assets:			
Land and other non-depreciable assets	4,559,846	499,485	5,059,331
Other capital assets, net of depreciation	<u>39,974,351</u>	<u>540,073</u>	<u>40,514,424</u>
Total capital assets, net	<u>44,534,197</u>	<u>1,039,558</u>	<u>45,573,755</u>
Total non-current assets	<u>44,716,062</u>	<u>1,078,529</u>	<u>45,794,591</u>
Total assets	<u>52,826,309</u>	<u>1,088,654</u>	<u>53,914,963</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	<u>115,627</u>	<u>24,777</u>	<u>140,404</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Due to other funds	-	175,621	175,621
Accounts payable and accrued liabilities	87,757	18,653	106,410
Prepaid fees	17,388	4,681	22,069
Accrued interest payable	172,834	113	172,947
Compensated absences, current	80,102	13,162	93,264
Current portion of long-term debt	3,276,637	11,448	3,288,085
Liabilities to be paid from restricted assets:			
Customer deposits	<u>359,475</u>	<u>400</u>	<u>359,875</u>
Total current liabilities	<u>3,994,193</u>	<u>224,078</u>	<u>4,218,271</u>
Non-current liabilities:			
Compensated absences	57,483	6,937	64,420
Non-current portion of long-term debt	36,318,204	30,010	36,348,214
Other post-employment benefits obligation	<u>204,450</u>	<u>40,423</u>	<u>244,873</u>
Total non-current liabilities	<u>36,580,137</u>	<u>77,370</u>	<u>36,657,507</u>
Total liabilities	<u>40,574,330</u>	<u>301,448</u>	<u>40,875,778</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>453,229</u>	<u>97,121</u>	<u>550,350</u>
Net Position:			
Net investment in capital assets	4,939,356	998,100	5,937,456
Unrestricted	<u>6,975,021</u>	<u>(283,238)</u>	<u>6,691,783</u>
Total net position	<u>\$ 11,914,377</u>	<u>\$ 714,862</u>	<u>\$ 12,629,239</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major		Total
	Water and Sewer Fund	Golf Course Fund	
Operating Revenues:			
Charges for sales and services	\$ 11,087,177	\$ 451,583	\$ 11,538,760
Connection fees	214,107	-	214,107
Other operating revenues	585,039	5,412	590,451
Total operating revenues	<u>11,886,323</u>	<u>456,995</u>	<u>12,343,318</u>
Operating Expenses:			
Administration	8,883	-	8,883
Billing and collection	513,134	-	513,134
Meter service	215,090	-	215,090
Water treatment plant	1,278,323	-	1,278,323
Construction and maintenance	1,580,145	-	1,580,145
Waste treatment plant	2,097,127	-	2,097,127
Non-capitalized project expenditures	3,177	-	3,177
Golf course clubhouse	-	180,123	180,123
Golf course maintenance	-	431,471	431,471
Depreciation and amortization	3,283,796	242,335	3,526,131
Total operating expenses	<u>8,979,675</u>	<u>853,929</u>	<u>9,833,604</u>
Operating income (loss)	<u>2,906,648</u>	<u>(396,934)</u>	<u>2,509,714</u>
Non-Operating Revenues (Expenses):			
Investment earnings	8,740	77	8,817
Interest and other charges	(1,116,473)	(595)	(1,117,068)
Miscellaneous revenue	70,614	-	70,614
Non-capital grant proceeds	578	-	578
Contribution to Reservoir Recreation Joint Venture	(33,415)	-	(33,415)
Total non-operating revenues (expenses)	<u>(1,069,956)</u>	<u>(518)</u>	<u>(1,070,474)</u>
Income (loss) before transfers	1,836,692	(397,452)	1,439,240
Transfers from other funds	-	120,743	120,743
Income (loss) before capital contributions	1,836,692	(276,709)	1,559,983
Capital contributions	<u>455,908</u>	<u>-</u>	<u>455,908</u>
Change in net position	<u>2,292,600</u>	<u>(276,709)</u>	<u>2,015,891</u>
Net Position:			
Beginning of year - July 1, previously reported	9,884,241	1,047,813	10,932,054
Restatement	<u>(262,464)</u>	<u>(56,242)</u>	<u>(318,706)</u>
Beginning of year - July 1, restated	<u>9,621,777</u>	<u>991,571</u>	<u>10,613,348</u>
End of year - June 30	<u>\$ 11,914,377</u>	<u>\$ 714,862</u>	<u>\$ 12,629,239</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Golf Course Fund</u>	
Cash Flows from Operating Activities:			
Cash received from customers	\$ 11,853,904	\$ 455,078	\$ 12,308,982
Cash paid for goods and services	(3,435,958)	(200,593)	(3,636,551)
Cash paid to employees for services	(2,385,287)	(421,457)	(2,806,744)
Customer deposits received	16,065	-	16,065
Net cash provided (used) by operating activities	<u>6,048,724</u>	<u>(166,972)</u>	<u>5,881,752</u>
Cash Flows from Non-Capital Financing Activities:			
Contribution to Reservoir Recreation Joint Venture	(33,415)	-	(33,415)
Non-capital grant proceeds	578	-	578
Miscellaneous non-operating revenue	70,614	-	70,614
Due to (from) other funds	-	97,123	97,123
Transfers (to) from other funds	-	120,743	120,743
Net cash provided (used) by non-capital financing activities	<u>37,777</u>	<u>217,866</u>	<u>255,643</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3,118,369)	(49,351)	(3,167,720)
Principal payments on long-term debt	(3,256,257)	(37,346)	(3,293,603)
Capital grant proceeds	455,908	-	455,908
Interest expense	(1,118,653)	(595)	(1,119,248)
Proceeds from issuance of debt	1,936,935	36,321	1,973,256
Net cash provided (used) by capital and related financing activities	<u>(5,100,436)</u>	<u>(50,971)</u>	<u>(5,151,407)</u>
Cash Flows from Investing Activities:			
Interest and dividends	8,740	77	8,817
Net cash provided (used) by investing activities	<u>8,740</u>	<u>77</u>	<u>8,817</u>
Net increase (decrease) in cash and cash equivalents	994,805	-	994,805
Cash and Equivalents:			
Beginning of year - July 1	<u>4,295,110</u>	<u>400</u>	<u>4,295,510</u>
End of year - June 30	<u>\$ 5,289,915</u>	<u>\$ 400</u>	<u>\$ 5,290,315</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Major</u>		<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Golf Course Fund</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,906,648	\$ (396,934)	\$ 2,509,714
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,283,796	242,335	3,526,131
Pension expense	8,900	1,908	10,808
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	8,931	(2,809)	6,122
(Increase) decrease in inventories	(61,173)	-	(61,173)
(Increase) decrease in deferred outflows of resources for pensions	(115,627)	(24,777)	(140,404)
Increase (decrease) in accounts payable and accrued liabilities	(29,768)	1,912	(27,856)
Increase (decrease) in deferred revenue	-	893	893
Increase (decrease) in compensated absences payable	6,270	3,539	9,809
Increase (decrease) in other post-employment benefits	24,682	6,961	31,643
Increase (decrease) in customer deposits	16,065	-	16,065
Net cash provided (used) by operating activities	<u>\$ 6,048,724</u>	<u>\$ (166,972)</u>	<u>\$ 5,881,752</u>

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the City of Thomasville (the “City”) and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation which is governed by an elected Mayor and a seven-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The discretely presented component units presented below are reported jointly in a separate column in the City’s financial statements in order to emphasize that they are legally separate from the City.

Thomasville Board of Education

The members of the Thomasville Board of Education (the “Board of Education”) are appointed by the City Council. In addition, the City sets the rate of and levies the school supplement tax remitted to the Board of Education annually. The Thomasville Board of Education, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Thomasville Board of Education may be obtained from the entity’s administrative offices at 400 Turner Street, Thomasville, North Carolina 27360.

Thomasville Alcoholic Beverage Control (ABC) Board

The members of the governing body of the Thomasville ABC Board (the “ABC Board”) are appointed by the City Council. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the Thomasville Alcoholic Beverage Control (ABC) Board may be obtained from the entity’s administrative office at 1414 National Highway, Thomasville, North Carolina 27360.

Thomasville Tourism Commission

The members of the governing board of the Thomasville Tourism Commission (the “Commission”) are appointed by the City Council. In addition, the City collects an occupancy tax, remitting 95% of such taxes collected to the Commission, SL 1993-453. The Commission, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Commission may be obtained from the entity’s administrative office at 44 West Main Street, Thomasville, North Carolina 27360.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Thomasville Public Facilities Corporation

This legally separate non-profit corporation assists the City in obtaining long-term financing (i.e., certificates of participation). Once obtained, the debt and any related assets are transferred to the City. As such, no assets or liabilities of the corporation existed at June 30, 2015.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and 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 City and for each function of the City'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. The effects of interfund activity have been eliminated from the government-wide financial statements.

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

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

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, Federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City reports the following major enterprise funds:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations. The primary revenue source is charges to water and sewer customers on a monthly basis. The primary expenses are water treatment, sewer treatment, distribution and collection lines, and administration.

Golf Course Fund. The Golf Course Fund is used to account for the operation of the City municipal golf course.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City 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. 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Thomasville because the tax is levied by Davidson and Randolph Counties and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the City 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 program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds (City School Supplement, Police Restitution and Forfeitures, Stormwater, Cemetery, and Beautification), and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all other special revenue funds, the capital projects funds, and the Enterprise Capital Project Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

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

Deposits and Investments

All deposits of the City are made in Board-designated official depositories and are secured or required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City 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 City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

Cash and Cash Equivalents

The City pools monies 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 to be cash and cash equivalents.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Restricted Cash

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Governmental Activities:

General Fund:

Developer deposits	\$	40,419
Streets		718,580

Cemetery Fund:

Customer deposits		<u>1,640</u>
Total governmental activities		<u>760,639</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits		359,475
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Golf Course Fund:

Customer deposits		<u>400</u>
Total business-type activities		<u>359,875</u>

Total restricted cash	\$	<u><u>1,120,514</u></u>
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance 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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out method), which approximates market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed or sold.

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

Capital Assets

Capital assets are defined by the government as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: buildings, improvements, substations, lines, and other plant and distribution systems – \$25,000; infrastructure – \$100,000; and furniture, equipment and vehicles – \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure and buildings	10 to 50 years
Furniture, equipment, and vehicles	5 to 15 years

Deferred Outflows/Inflows of Resources

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

In the government-wide financial statements and proprietary fund type 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 are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In the 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.

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned on a first-in, first-out basis. The portion of time estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited amount of earned sick leave. Sick leave does not vest, but 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 City does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

State law [G.S. 159-13 (b) (16)] restricts the appropriation of fund balance or fund equity for the subsequent year’s budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

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

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

Restricted Fund Balance:

Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for Public Works – portion of fund balance that is available for appropriation but legally segregated for a \$2.00 per ton excise tax on solid waste collected by the N.C. Department of Revenue and distributed quarterly to the City. The funds are designated to promote and fund recycling in Thomasville.

Restricted for Streets – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as restitution and forfeitures.

Restricted fund balance at June 30, 2015 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, All Other:		
Streets	\$ 718,580	\$ -
Public works	12,504	-
Public safety	-	168,954
Total	\$ 731,084	\$ 168,954

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Committed for Economic Development – represents the portion of fund balance committed by the governing body for future economic development related purposes.

Assigned Fund Balance: Assigned fund balance is the portion of fund balance that the City of Thomasville intends to use for specific purposes. The City's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Assigned for General Government – portion of fund balance that has been budgeted by the Board for general governmental activities for beautification and cemetery usage.

Unassigned Fund Balance: Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

The City of Thomasville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The City has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 20.0% of the budgeted operating expenditures (excluding capital outlay). Any portion of the General Fund balance in excess of 20.0% of budgeted operating expenditures may be appropriated for capital items valued at \$10,000 or greater. If fund balance falls below 12.0%, no appropriation can be made from fund balance unless it is an emergency appropriation.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. Detail Notes On All Funds

A. Assets

Deposits

All of the deposits of the City 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 City's agent in the respective 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 City, these deposits are considered to be held by the City'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 actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City 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 City 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 City's deposits had a carrying amount of \$13,130,170 and a bank balance of \$13,456,254. The City also had petty cash of \$1,700. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method.

Investments

At June 30, 2015, the City had \$799,130 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Receivables

Receivables at the government-wide level at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 553,892	\$ 1,675,621	\$ 2,090,616	\$ 4,320,129
Other governmental	<u>26,251</u>	<u>535,772</u>	-	<u>562,023</u>
Total receivables	580,143	2,211,393	2,090,616	4,882,152
Allowance for doubtful accounts	-	<u>(1,139,000)</u>	-	<u>(1,139,000)</u>
Total governmental activities	<u>\$ 580,143</u>	<u>\$ 1,072,393</u>	<u>\$ 2,090,616</u>	<u>\$ 3,743,152</u>
Business-Type Activities:				
Water and sewer	\$ 2,134,596	\$ -	\$ 253,203	\$ 2,387,799
Golf course	-	-	<u>9,725</u>	<u>9,725</u>
Total receivables	2,134,596	-	262,928	2,397,524
Allowance for doubtful accounts	<u>(230,000)</u>	-	-	<u>(230,000)</u>
Total business-type activities	<u>\$ 1,904,596</u>	<u>\$ -</u>	<u>\$ 262,928</u>	<u>\$ 2,167,524</u>

Amounts due from governmental agencies consist of the following:

	<u>County</u>	<u>State</u>	<u>Total</u>
Governmental Funds:			
General Fund:			
Property taxes	\$ 272,454	\$ -	\$ 272,454
Sales and use tax distribution	-	1,232,681	1,232,681
Utilities franchise and telecommunications tax	-	431,917	431,917
Sales tax refund	-	<u>153,564</u>	<u>153,564</u>
Total governmental funds	<u>\$ 272,454</u>	<u>\$ 1,818,162</u>	<u>\$ 2,090,616</u>
Business-Type Funds:			
Water and Sewer Fund:			
Sales tax refund	\$ -	\$ 253,203	\$ 253,203
Golf Course Fund:			
Sales tax refund	-	<u>9,725</u>	<u>9,725</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 262,928</u>	<u>\$ 262,928</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Assets

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

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 1,252,473	\$ -	\$ -	\$ -	\$ 1,252,473
Construction in progress	<u>32,775</u>	<u>-</u>	<u>-</u>	<u>32,775</u>	<u>-</u>
Total non-depreciable capital assets	<u>1,285,248</u>	<u>-</u>	<u>-</u>	<u>32,775</u>	<u>1,252,473</u>
Depreciable Capital Assets:					
Buildings	7,076,846	-	-	-	7,076,846
Other improvements	3,493,660	50,826	-	-	3,544,486
Infrastructure	2,325,421	-	-	32,775	2,358,196
Equipment and vehicles	<u>12,873,638</u>	<u>1,780,425</u>	<u>385,868</u>	<u>-</u>	<u>14,268,195</u>
Total depreciable capital assets	<u>25,769,565</u>	<u>1,831,251</u>	<u>385,868</u>	<u>32,775</u>	<u>27,247,723</u>
Less Accumulated Depreciation:					
Buildings	3,660,244	142,119	-	-	3,802,363
Other improvements	1,909,858	124,958	-	-	2,034,816
Infrastructure	1,227,095	91,279	-	-	1,318,374
Equipment and vehicles	<u>9,715,400</u>	<u>918,468</u>	<u>385,868</u>	<u>-</u>	<u>10,248,000</u>
Total accumulated depreciation	<u>16,512,597</u>	<u>\$ 1,276,824</u>	<u>\$ 385,868</u>	<u>\$ -</u>	<u>17,403,553</u>
Total depreciable capital assets, net	<u>9,256,968</u>				<u>9,844,170</u>
Governmental activities capital assets, net	<u>\$ 10,542,216</u>				<u>\$ 11,096,643</u>

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

General government	\$ 36,366
Public works	437,523
Public safety	605,486
Recreation	<u>197,449</u>
Total	<u>\$ 1,276,824</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 162,668	\$ -	\$ -	\$ -	\$ 162,668
Construction in progress	<u>3,784,876</u>	<u>2,010,960</u>	<u>-</u>	<u>1,398,658</u>	<u>4,397,178</u>
Total non-depreciable capital assets	<u>3,947,544</u>	<u>2,010,960</u>	<u>-</u>	<u>1,398,658</u>	<u>4,559,846</u>
Depreciable Capital Assets:					
Buildings	7,582,068	-	-	-	7,582,068
Other improvements	31,914,000	687,611	-	4,500	32,606,111
Infrastructure	50,827,707	112,350	-	1,149,962	52,090,019
Equipment and vehicles	<u>2,794,320</u>	<u>307,448</u>	<u>31,907</u>	<u>244,196</u>	<u>3,314,057</u>
Total depreciable capital assets	<u>93,118,095</u>	<u>1,107,409</u>	<u>31,907</u>	<u>1,398,658</u>	<u>95,592,255</u>
Less Accumulated Depreciation:					
Buildings	6,505,635	174,121	-	-	6,679,756
Other improvements	11,125,564	1,566,077	-	-	12,691,641
Infrastructure	32,855,302	1,345,387	-	-	34,200,689
Equipment and vehicles	<u>1,831,435</u>	<u>246,290</u>	<u>31,907</u>	<u>-</u>	<u>2,045,818</u>
Total accumulated depreciation	<u>52,317,936</u>	<u>\$ 3,331,875</u>	<u>\$ 31,907</u>	<u>\$ -</u>	<u>55,617,904</u>
Total depreciable capital assets, net	<u>40,800,159</u>				<u>39,974,351</u>
Water and Sewer Fund capital assets, net	<u>44,747,703</u>				<u>44,534,197</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	July 1, 2014	Increases	Decreases	Transfers	June 30, 2015
Golf Course Fund:					
Non-Depreciable Capital Assets:					
Land	499,485	\$ -	\$ -	\$ -	499,485
Total non-depreciable capital assets	499,485	-	-	-	499,485
Depreciable Capital Assets:					
Buildings	3,111,116	-	-	-	3,111,116
Improvements	51,491	-	-	-	51,491
Furniture, equipment, and vehicles	892,393	49,351	43,657	-	898,087
Total depreciable capital assets	4,055,000	49,351	43,657	-	4,060,694
Less Accumulated Depreciation:					
Buildings	2,518,094	141,391	-	-	2,659,485
Improvements	32,778	2,317	-	-	35,095
Furniture, equipment, and vehicles	771,071	98,627	43,657	-	826,041
Total accumulated depreciation	3,321,943	\$ 242,335	\$ 43,657	\$ -	3,520,621
Total depreciable capital assets, net	733,057				540,073
Golf Course Fund capital assets, net	1,232,542				1,039,558
Business-type activities capital assets, net	\$ 45,980,245				\$ 45,573,755

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015, is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 11,096,643	\$ 45,573,755
Long-term debt	(2,483,023)	(39,636,299)
Net investment in capital assets	\$ 8,613,620	\$ 5,937,456

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Ending Balances</u>
Governmental activities	\$ 489,296	\$ 324,803	\$ 814,099
Business-type activities	\$ 40,751	\$ 65,659	\$ 106,410

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the State-wide 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 LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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. City of Thomasville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Thomasville'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 City of Thomasville were \$825,904 for the year ended June 30, 2015.

Refunds of Contributions – City 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 City reported an asset of \$1,299,035 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 City's proportion of the net pension asset was based on a projection of the City'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 City's proportion was 0.220%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the City recognized pension expense of \$63,576. At June 30, 2015, the City 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	\$ -	\$ 141,942
Net difference between projected and actual earnings on pension plan investments	-	3,024,122
Changes in proportion and differences between City contributions and proportionate share of contributions	-	71,289
City contributions subsequent to the measurement date	<u>825,904</u>	<u>-</u>
Total	<u>\$ 825,904</u>	<u>\$3,237,353</u>

\$825,904 reported as deferred outflows of resources related to pensions resulting from City 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:

<u>Year Ending June 30:</u>	<u>Total</u>
2016	\$ (809,472)
2017	(809,472)
2018	(809,472)
2019	(808,937)
2020	-
Thereafter	<u>-</u>
Total	<u>\$ (3,237,353)</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	100.0%	

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 4,409,483	\$ (1,299,034)	\$ (6,105,421)

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.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% 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 City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>66</u>
Total	<u>72</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City 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, non-employer 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 City 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 City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. No contributions were made by employees.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using the fair value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 17 years. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$	166,947
Interest on net pension obligation		28,592
Adjustment to annual required contribution		(48,306)
Annual pension cost		147,233
Contributions made		71,070
Increase (decrease) in net pension obligation		76,163
Net pension obligation - July 1		571,837
Net pension obligation - June 30	\$	648,000

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2015	\$ 147,233	48.27%	\$ 648,000
2014	123,077	69.00%	571,837
2013	131,382	65.01%	488,514

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,303,538. The covered payroll (annual payroll of active employees covered by the plan) was \$3,041,002, and the ratio of the UAAL to the covered payroll was 42.87%.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to Supplemental Retirement Income Plans (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 City. 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 CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Comptroller, 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 City to contribute each month an amount equal to 5.0% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2015 were \$200,209 which consisted of \$149,280 from the City and \$50,929 from the law enforcement officers.

In addition to law enforcement officers, the City has allowed other employees to contribute to the Plan. During the year ended June 30, 2015, other employees contributed \$52,150 to the Plan. The City elected not to make a contribution for other employees during the year ended June 30, 2015.

Other Employment Benefits

The City 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 Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of continuing membership service in the Death Benefit Plan at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan and not by the City; the City does not determine the number of eligible participants.

The City 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City, by resolution, has elected to provide healthcare benefits to retirees of the City who retire from the North Carolina Local Government Employees’ Retirement System under a normal or early retirement and has at least 15 consecutive years of service with the City at the time of retirement is eligible to participate in the City’s healthcare plan upon retirement. Employees retiring due to a disability retirement are not eligible to participate in the City’s healthcare plan upon retirement. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active City employees. Retirees can purchase coverage for their dependents at the City’s group rates. Currently, 33 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2015, the City made payments for post-retirement health benefits premiums of \$193,066. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan. The plan is a single-employer defined benefit plan. The City Council may amend the benefit provisions.

Coverage will continue until the retiree becomes Medicare eligible at which time the City’s subsidized retiree healthcare benefits will end. Retirees not qualifying for the City’s subsidized health insurance plan may continue coverage for themselves and their dependents at their expense. Eligible retirees as of July 1, 2003 who were no longer on the insurance or who chose not to be on the insurance will be covered under the plan. These retirees will be reimbursed an amount equal to the amount the City will pay for retirees currently covered on the City’s health insurance. Only those retirees that were eligible as of the July 1, 2003 may receive this benefit. The retiree may continue dependent coverage and pay the full cost of this coverage if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates when the dependent reaches the age of 65.

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	33	N/A
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	200	61
Total	233	61

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Funding Policy. The City's portion of the retiree premium will be based on the current rate for active employees as established by the health insurance carrier. The amount of the retiree's premium paid by the City will be a percentage based upon years of service with the retirement system at retirement and can be amended by City Council. The percentages are:

<u>Years of Service At Retirement</u>	<u>Maximum Monthly City Contribution</u>
30 or more	100.0%
25-29	75.0%
20-24	50.0%

The City has chosen to fund the healthcare on a pay-as-you-go basis.

The current ARC rate is 3.65% of annual covered payroll. For the current year, the City contributed \$193,066 or 1.71%, of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 3.40% and 3.40% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$16,276. Retirees are responsible for the difference between the amount charged for an active employee and the retiree rate, which is paid on a monthly basis. The City's obligation to contribute to the Plan is established and may be amended by the City Board.

Summary of Significant Accounting Policies

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

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Annual OPEB Cost and Net Obligation

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 341,152	\$ 69,875	\$ 411,027
Interest on net OPEB obligation	38,114	8,529	46,643
Adjustments to annual required contribution	<u>36,411</u>	<u>8,148</u>	<u>44,559</u>
Annual OPEB cost (expense)	342,855	70,256	413,111
Contributions made	<u>154,453</u>	<u>38,613</u>	<u>193,066</u>
Increase (decrease) in net OPEB obligation	188,402	31,643	220,045
Net OPEB obligation:			
Beginning of year - July 1	<u>952,848</u>	<u>213,230</u>	<u>1,166,078</u>
End of year - June 30	<u>\$ 1,141,250</u>	<u>\$ 244,873</u>	<u>\$ 1,386,123</u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 413,111	46.7%	\$ 1,386,123
2014	400,818	55.1%	1,166,078
2013	392,140	55.0%	618,034

Fund Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$5,494,148. The covered payroll (annual payroll of active employees covered by the plan) was \$11,258,149, and the ratio of the UAAL to the covered payroll was 48.80%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual medical cost trend increase of 7.50% to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

As of June 30, 2015, management decided to fund OPEB on the pay-as-you-go basis. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

Deferred Outflows and Inflows of Resources

The City has one deferred outflow of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contribution to pension plan in current fiscal year	<u>\$ 825,904</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The balance in deferred inflows of resources for the City of Thomasville at year-end is composed of the following elements:

	<u>Amount</u>
Pension deferrals	\$ 3,237,353
Prepaid taxes (General Fund)	1,402
Miscellaneous accounts receivable (General Fund)	284,641
Grant receivable	10,237
Taxes receivable (Special Revenue Fund)	179,772
Taxes receivable (General Fund)	<u>892,621</u>
Total	<u>\$ 4,606,026</u>

Risk Management

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

The City carries commercial coverage for all other risks of loss, including employee health coverage. 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 City does not carry flood insurance.

In accordance with G.S. 159-29, the City'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. The Director of Finance is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket plan for \$100,000 in a loss related to dishonesty, forgery, or alteration, and \$5,000 for theft.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

Installment Purchase Contracts

Serviced by Governmental Funds:

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2014 in the amount of \$431,500, payable in 20 quarter-annual installments of \$22,430, including interest at 1.57%. The vehicles and equipment are held as collateral. 53.0% of this debt is serviced by the Governmental Funds.	\$ 203,375
IBM Global Financing - for the purchase of equipment, issued August 2013 in the amount of \$42,925, payable in 36 monthly installments of \$1,229, including interest at 1.99%. The equipment is held as collateral.	19,388
Branch Banking & Trust - for purchase of various vehicles and equipment, issued October 2011 in the amount of \$965,000, payable in 20 quarterly installments of \$60,136, including interest at 1.710%. The vehicles and equipment are held as collateral.	297,564
Motorola Solutions Financing - for the purchase of equipment, issued December 2014 in the amount of \$939,278, payable in 5 annual installments of \$204,740, including interest at 2.950%. The equipment is held as collateral.	939,278
SunTrust - for purchase of various equipment, issued October 2013 in the amount of \$735,000, payable in 20 quarterly installments of \$38,229, including interest at 1.54%. The equipment is held as collateral. 82.0% of this debt is serviced by the Governmental Funds.	424,447
U.S. Bancorp - for purchase of various vehicles and equipment, issued January 2013, in the amount of \$478,500, payable in 20 quarterly installments of \$36,172, including interest at 1.25%. The vehicles and equipment are held as collateral.	242,651
Bank of America - for construction and equipping of two fire stations, issued December 2002 in the amount of \$1,600,000, payable in 60 quarterly installments of \$26,667, including interest at 3.89%, secured by deed of trust.	266,666
PNC Bank - for purchase of various vehicles and equipment, issued November 2010 in the amount of \$608,000, payable in five annual installments of \$130,414, including interest at 2.39%. The vehicles and equipment are held as collateral. 70% of this debt is serviced by governmental funds.	<u>89,654</u>
Total governmental funds	<u>\$ 2,483,023</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Serviced by Business-Type Funds:

Water and Sewer Fund:

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2014 in the amount of \$431,500, payable in 20 quarter-annual installments of \$22,430, including interest at 1.57%. The vehicles and equipment are held as collateral. 39.0% of this debt is serviced by the Water and Sewer Fund.	\$ 152,860
U.S. Bancorp - for purchase of various vehicles and equipment, issued January 2013, in the amount of \$223,000, payable in 20 quarterly installments of \$36,172, including interest at 1.25%. The vehicles and equipment are held as collateral.	112,977
SunTrust - for purchase of various equipment, issued October 2013 in the amount of \$735,000, payable in 20 quarterly installments of \$38,229, including interest at 1.54%. The equipment is held as collateral. 18.0% of this debt is serviced by the Water and Sewer Fund.	95,621
Branch Banking & Trust - for purchase of various vehicles and equipment, issued October 2011 in the amount of \$160,000, payable in 20 quarterly installments of \$8,360, including interest at 1.710%. The vehicles and equipment are held as collateral.	49,375
PNC Bank - for the purchase of various vehicles and equipment, issued November 2010 in the amount of \$608,000, payable in five annual installments of \$130,414, including interest at 2.39%. The vehicles and equipment are held as collateral. 30.0% of this debt is serviced by the Water and Sewer Fund.	<u>37,705</u>
Total Water and Sewer Fund	<u>448,538</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Golf Course Fund:

Branch Banking & Trust - for the purchase of various vehicles and equipment, issued December 2014 in the amount of \$431,500, payable in 20 quarter-annual installments of \$22,430, including interest at 1.57%. The vehicles and equipment are held as collateral. 8% of this debt is serviced by the Golf Course Fund.

\$ 32,841

Branch Banking & Trust - for golf course equipment, issued October 2011 in the amount of \$26,000, payable in 20 quarterly installments of \$1,358, including interest of 1.710%

8,617

Total Golf Course Fund

41,458

Total business-type funds

\$ 489,996

Annual debt service requirements for the City's installment purchase notes are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 845,067	\$ 54,036	\$ 187,734	\$ 6,873	\$ 1,032,801	\$ 60,909
2017	655,972	34,595	133,546	4,073	789,518	38,668
2018	459,122	22,572	90,928	1,635	550,050	24,207
2019	299,330	12,752	58,006	579	357,336	13,331
2020	<u>223,532</u>	<u>5,591</u>	<u>19,782</u>	<u>79</u>	<u>243,314</u>	<u>5,670</u>
Total	<u>\$ 2,483,023</u>	<u>\$ 129,546</u>	<u>\$ 489,996</u>	<u>\$ 13,239</u>	<u>\$ 2,973,019</u>	<u>\$ 142,785</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Water/Sewer 2003, 2004, 2009, and 2012 Revenue Bonds

The City issued Combined Enterprise System Revenue Bonds (Series 2009) totaling \$7,080,000 on November 25, 2009. These bonds bear interest at rates varying from 3.00% to 4.00% to advance refund the 1997A and 1997B Water and Sewer Refunding Bonds to finance improvements to the Combined Enterprise System. Principal and interest will be provided by appropriation in the year in which they become due.

\$ 2,795,000

The City issued Combined Enterprise System Revenue Bonds (Series 2012) totaling \$10,745,000 on May 10, 2012. These bonds bear interest at rates varying from 2.00% to 4.75% to advance refund the 2002 and 2003 Water and Sewer Refunding Bonds to finance improvements to the Combined Enterprise System. Principal and interest will be provided by appropriation in the year in which they become due.

9,285,000

The City issued Combined Enterprise System Revenue Bonds (Series 2004) totaling \$3,500,000 on October 28, 2004 to finance improvements to the Combined Enterprise System. These bonds bear interest at a rate of 3.40%. Principal and interest requirements will be provided by appropriation in the year in which they become due.

1,050,000

Total revenue bonds

\$ 13,130,000

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Revenue Bond Indebtedness

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Water and Sewer Fund		
	Principal	Interest	Total
2016	\$ 1,638,333	\$ 490,305	\$ 2,128,638
2017	1,688,333	425,975	2,114,308
2018	1,098,335	359,734	1,458,069
2019	1,123,333	318,168	1,441,501
2020	1,041,666	286,252	1,327,918
2021-2025	4,350,000	905,425	5,255,425
2026-2028	2,190,000	159,038	2,349,038
Total	\$ 13,130,000	\$ 2,944,897	\$ 16,074,897

At June 30, 2015, the City of Thomasville had a legal debt margin of approximately \$95,000,000.

Revolving Loan Payables

On January 6, 2006, the City was approved for a maximum loan amount of \$27,000,000 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Drinking Water State Revolving Fund Program. The loan proceeds were being used to upgrade the wastewater treatment plant. The loan is repayable at 2.31% for 20 years. The loan repayment schedule based on the maximum loan of \$27,000,000 calls for semi-annual principal and interest repayments that amount to \$1,700,230 annually for 20 years. The total amount outstanding at June 30, 2015 was \$20,148,387.

On March 14, 2011, the City was approved for a \$59,354 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the American Recovery and Reinvestment Act, Drinking Water State Revolving Fund Program. The loan proceeds were being used to install solar mixers at various water treatment plant locations. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$3,100 annually for 20 years. The total amount outstanding at June 30, 2015 was \$44,379.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

On June 4, 2012, the City was approved for a \$521,273 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund Program. The loan proceeds were being used for a Sanitary Sewer Project. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$26,064 annually for 20 years. The total amount outstanding at June 30, 2015 was \$443,082.

On October 15, 2012, the City was approved for a \$1,233,394 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund Program. The loan proceeds were being used for a Fairgrove Water Main Improvement Project. The loan is repayable at 0% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$61,670 annually for 20 years. The total amount outstanding at June 30, 2015 was \$1,077,361.

On December 30, 2013, the City was approved for a \$695,750 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund Program. The loan proceeds were being used for a Northside Pump Station Sewer Project. The loan is repayable at 2.00% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$34,788 annually for 20 years. The total amount outstanding at June 30, 2015 was \$660,963.

On February 24, 2014, the City was approved for a \$3,169,646 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund Program. The loan proceeds were being used for a North Hamby Creek Outfall Sewer Project. The loan is repayable at 2.00% for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$158,482 annually for 20 years. The total amount outstanding at June 30, 2015 was \$2,673,067.

On August 1, 2014, the City was approved for a \$241,293 loan from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the North Carolina Water Pollution Control Revolving Fund Program. The loan proceeds were being used for the East Davidson Sewer Project. The loan is repayable at zero percent for 20 years. The loan repayment schedule calls for annual principal repayments that amount to approximately \$12,065 annually for 20 years. The total amount outstanding at June 30, 2015 was \$229,228.

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Total outstanding revolving loan payables at June 30, 2015 are \$25,276,467.

Year Ending June 30	Water and Sewer Fund		
	Principal	Interest	Total
2016	\$ 1,512,226	\$ 544,090	\$ 2,056,316
2017	1,540,712	508,847	2,049,559
2018	1,569,854	474,259	2,044,113
2019	1,599,667	439,531	2,039,198
2020	1,630,168	404,564	2,034,732
2021-2025	8,633,538	1,481,619	10,115,157
2026-2030	7,808,463	509,828	8,318,291
2031-2033	981,839	37,631	1,019,470
Total	<u>\$ 25,276,467</u>	<u>\$ 4,400,369</u>	<u>\$ 29,676,836</u>

Water/Sewer Revenue Bonds

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2004, 2009, and 2012 since their adoption. Section 704(a) of the Bond Order requires the debt service parity coverage ratio to be no less than 125.0% and the total debt service coverage ratio to be no less than 100.0%. Additional indebtedness constituted by the Series 2004 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The debt service parity coverage ratio calculation for the year ended June 30, 2015 is as follows:

Operating revenues	\$ 11,886,323
Operating expenses*	<u>(5,695,879)</u>
Operating income	<u>\$ 6,190,444</u>
Debt service on parity indebtedness	<u>\$ 2,134,941</u>
Debt service on parity indebtedness	290%
Other indebtedness related to the Combined Enterprise System	<u>\$ 2,240,668</u>
Pro-forma debt service coverage ratio on parity and other indebtedness	141%

*Excludes depreciation and amortization.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay Combined Enterprise System Revenue Bonds (\$7,080,000 issued in 2009, \$10,745,000 issued in 2012, and \$3,500,000 issued in 2004). Proceeds from the bonds provided financing for the sewer line extensions to annexed areas. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require 25% of net revenues. The total principal and interest remaining to be paid on the bonds is \$16,074,897. Principal and interest paid for the current year and total net revenues were \$2,134,941 and \$11,886,323, respectively.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2015.

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Maturities</u>
Governmental Activities:					
Installment purchases	\$ 1,974,373	\$ 1,164,778	\$ (656,128)	\$ 2,483,023	\$ 845,067
Net pension obligation (LGERS)	2,240,049	-	(2,240,049)	-	-
Net pension obligation (LEO)	571,837	147,233	(71,070)	648,000	-
Other post-employment benefits	952,848	342,855	(154,453)	1,141,250	-
Compensated absences	<u>853,637</u>	<u>664,104</u>	<u>(475,040)</u>	<u>1,042,701</u>	<u>580,252</u>
Total governmental activities	<u>\$ 6,592,744</u>	<u>\$ 2,318,970</u>	<u>\$ (3,596,740)</u>	<u>\$ 5,314,974</u>	<u>\$ 1,425,319</u>
Serviced by Water and Sewer Fund:					
Installment purchases	<u>\$ 444,633</u>	<u>\$ 169,679</u>	<u>\$ (165,774)</u>	<u>\$ 448,538</u>	<u>\$ 176,286</u>
Revenue bonds	14,718,334	-	(1,588,334)	13,130,000	1,638,333
Add: unamortized bond premium	810,577	-	(57,194)	753,383	(57,194)
Less: unamortized bond discount	<u>(21,223)</u>	<u>-</u>	<u>7,676</u>	<u>(13,547)</u>	<u>6,986</u>
Total revenue bonds	<u>15,507,688</u>	<u>-</u>	<u>(1,637,852)</u>	<u>13,869,836</u>	<u>1,588,125</u>
Note payable	<u>25,011,360</u>	<u>1,767,256</u>	<u>(1,502,149)</u>	<u>25,276,467</u>	<u>1,512,226</u>
Compensated absences	<u>131,315</u>	<u>86,988</u>	<u>(80,718)</u>	<u>137,585</u>	<u>80,102</u>
Net pension obligation (LGERS)	<u>377,840</u>	<u>-</u>	<u>(377,840)</u>	<u>-</u>	<u>-</u>
Other post-employment benefits	<u>179,768</u>	<u>54,801</u>	<u>(30,119)</u>	<u>204,450</u>	<u>-</u>
Total water and sewer	<u>\$ 41,652,604</u>	<u>\$ 2,078,724</u>	<u>\$ (3,794,452)</u>	<u>\$ 39,936,876</u>	<u>\$ 3,356,739</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Serviced by Golf Fund:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Installment loans	\$ 42,483	\$ 36,321	\$ (37,346)	\$ 41,458	\$ 11,448
OPEB	33,462	15,455	(8,494)	40,423	-
Net pension obligation (LGERS)	80,966	-	(80,966)	-	-
Compensated absences	<u>16,560</u>	<u>16,701</u>	<u>(13,162)</u>	<u>20,099</u>	<u>13,162</u>
Total	<u>\$ 173,471</u>	<u>\$ 68,477</u>	<u>\$ (139,968)</u>	<u>\$ 101,980</u>	<u>\$ 24,610</u>

Compensated absences, pension obligations, and other post-employment benefit liabilities for governmental activities typically have been liquidated in the General Fund.

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

C. Interfund Balances and Activity

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

Due to the City School Supplement Fund from the General Fund for property taxes	\$ 30,761
Due to the General Fund from the Golf Course Fund for cash deficit at year-end	175,621
Due to the General Fund from the Community Development Block Grant Fund for cash deficit at year-end	<u>10,237</u>
Total	<u>\$ 216,619</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Transfers to/from other funds during the year ending June 30, 2015 consist of the following:

From the General Fund to the Golf Course Fund for debt payments	\$ 120,743
From the General Fund to the Police Restitution and Forfeitures Fund for annual contribution	10,000
From the General Fund to the Beautification Fund for annual contribution	35,000
From the General Fund to the Cemetery Fund for annual contribution	10,000
From the Police Restitution and Forfeitures Fund to the General Fund to partially close out part of the fund	<u>80,000</u>
Total	<u>\$ 255,743</u>

3. Related Organization

The five-member Board of the City of Thomasville Housing Authority is appointed by the Mayor of the City of Thomasville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Thomasville is also disclosed as a related organization in the Notes to the Financial Statements for the City of Thomasville Housing Authority.

The pro shop at the City's golf course is owned and operated by a City employee. The employee leases the space for the pro shop from the City. The City's income from the lease for the year ended June 30, 2015 was \$4,800.

4. Joint Venture

The municipalities of Thomasville and Lexington, North Carolina, jointly own and operate a waterworks reservoir system. Both cities' governing bodies have authority, under resolutions adopted individually, to acquire, construct, improve, maintain, and jointly operate this system. Both cities have authority to issue bonds or other means of financing as necessary to acquire, construct, and/or improve the system. There are no bonds outstanding for the joint venture at June 30, 2015, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

As of May 1, 2000, the two cities and their county of location, Davidson County, entered into an agreement to form the Lake Thom-A-Lex Recreation Authority. This Authority, consisting of five members appointed by the governmental parties, is responsible for the oversight and promotion of operations related to recreation at Lake Thom-A-Lex.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Costs of operation are shared equally between both cities and the County. The City maintains control over the financial records and its share to the cost of operations is included as a non-operating expense in the Water and Sewer Fund. The City of Lexington and Davidson County are billed by Thomasville for their share of the costs.

Effective July 1, 2009, Davidson County began maintaining control over the financial records of the operation of the lake.

The City has a 50% interest in the venture and an ongoing financial responsibility for Lake Thom-A-Lex. The City's equity interest as of June 30, 2015, was \$428,433 which is shown in the government-wide financial statements. There is no distribution of net income. Net position remains in the joint venture for future operational needs of the system.

Assets, other than the construction in progress, consist of 1,034 acres of land, an earthen dam constructed in 1957, a boat house, piers, boats, and a vehicle which are jointly owned. Costs of these assets are listed below as well as a Condensed Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets:		
Cash	\$ 349,351	\$ 304,030
Accounts receivable	33,886	45,321
Land	223,395	223,395
Buildings	15,000	15,000
Other improvements	1,140,665	1,140,665
Equipment	<u>86,020</u>	<u>86,020</u>
	1,848,317	1,814,431
Less: accumulated depreciation	<u>(991,451)</u>	<u>(954,688)</u>
Total assets	<u>\$ 856,866</u>	<u>\$ 859,743</u>
Fund balance	<u>\$ 856,866</u>	<u>\$ 859,743</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	June 30, 2015	June 30, 2014
Revenues:		
Permits, rentals, concessions, etc.	\$ 57,094	\$ 55,460
City of Thomasville	33,415	35,887
City of Lexington	33,415	35,887
Davidson County	33,415	35,887
Total revenues	157,339	163,121
 Expenditures:		
Depreciation	36,763	38,080
Operating expenditures	123,453	116,948
Capital outlay	-	853
Total expenditures	160,216	155,881
 Revenues over (under) expenditures	 (2,877)	 7,240
 Net change in fund balance	 (2,877)	 7,240
 Fund Balance:		
Beginning of year - July 1	859,743	852,503
 End of year - June 30	 \$ 856,866	 \$ 859,743

5. Jointly Governed Organization

The City, in conjunction with six counties and 25 other municipalities established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$5,648 to the Council during the fiscal year ended June 30, 2015.

CITY OF THOMASVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

6. Summary Disclosure

Federal and State Assisted Programs

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

7. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,556,036 and \$318,706, respectively.

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CITY OF THOMASVILLE, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2014	\$ -	\$ 1,303,538		0.00%	\$ 1,303,538	\$ 3,041,002	42.87%
12/31/2013	-	1,258,284		0.00%	1,258,284	3,005,304	41.87%
12/31/2012	-	1,232,673		0.00%	1,232,673	3,015,856	40.87%
12/31/2011	-	1,233,621		0.00%	1,233,621	2,933,511	42.05%
12/31/2010	-	1,266,927		0.00%	1,266,927	2,968,195	42.68%
12/31/2009	-	1,305,450		0.00%	1,305,450	2,824,631	46.22%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution (ARC)		Percentage of ARC Contributed
2015	\$ 166,947		42.57%
2014	139,873		60.71%
2013	135,074		62.14%
2012	135,678		64.75%
2011	139,589		60.29%
2010	99,749		80.70%

Notes to the Required Schedules:

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

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	None

CITY OF THOMASVILLE, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2015**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A)/C
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)			
12/31/2014	\$ -	\$ 5,494,148	\$ 5,494,148	0.00%	\$ 11,258,149	48.80%
12/31/2012	-	4,897,101	4,897,101	0.00%	11,027,846	44.41%
12/31/2010	-	4,725,519	4,725,519	0.00%	11,497,747	41.10%
12/31/2008	-	4,499,881	4,499,881	0.00%	10,384,625	43.33%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution		Percentage of ARC Contributed
	(ARC)		
2015	\$	411,027	46.97%
2014		399,055	55.39%
2013		402,766	52.41%
2012		391,035	55.48%
2011		391,035	49.29%
2010		378,265	51.94%
2009		378,265	37.00%

Notes to the Required Schedules:

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

Valuation date	December 31, 2014	
Actuarial cost method	Projected unit credit	
Amortization method	Level percent of pay open	
Remaining amortization period	30 years	
Asset valuation method	Market value of assets	
Actuarial assumptions		
Investment rate of return*	4.00%	* Includes inflation of 3.00%
Medical trend rate	7.50% - 5.00%	
Year of Ultimate trend rate	2020	
	None	

CITY OF THOMASVILLE, NORTH CAROLINA**CITY OF THOMASVILLE'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015****Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
City of Thomasville's proportion of the net pension liability (asset) (%)	0.22027%	0.22390%
City of Thomasville's proportion of the net pension liability (asset) (\$)	\$ (1,299,035)	\$ 2,698,855
City of Thomasville's covered-employee payroll	\$ 11,566,597	\$ 11,056,772
City of Thomasville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.23%)	24.41%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF THOMASVILLE, NORTH CAROLINA

**CITY OF THOMASVILLE'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 825,904	\$ 824,112
Contributions in relation to the contractually required contribution	<u>825,904</u>	<u>824,112</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Thomasville's covered-employee payroll	\$ 11,492,069	\$ 11,566,597
Contributions as a percentage of covered-employee payroll	7.19%	7.12%

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year - property	\$ 9,112,750	\$ 9,248,449	\$ 135,699
Prior years - property	375,000	430,583	55,583
Penalties and interest	90,000	113,366	23,366
Total	<u>9,577,750</u>	<u>9,792,398</u>	<u>214,648</u>
Other Taxes and Licenses:			
Local option sales tax	4,949,175	4,973,376	24,201
Video programming	230,000	227,206	(2,794)
Business privilege license	40,000	8,435	(31,565)
Solid waste disposal tax	28,322	17,125	(11,197)
Occupancy tax	110,000	125,548	15,548
Total	<u>5,357,497</u>	<u>5,351,690</u>	<u>(5,807)</u>
Unrestricted Intergovernmental Revenues:			
Telecommunications sales tax	182,000	181,623	(377)
Piped natural gas tax	60,000	57,294	(2,706)
Franchise tax	1,024,825	1,323,866	299,041
Beer and wine tax	120,000	128,282	8,282
Payments in lieu of taxes	16,000	18,867	2,867
ABC distributions	80,000	74,952	(5,048)
On-behalf payments:			
Fire and rescue	25,000	11,239	(13,761)
Total	<u>1,507,825</u>	<u>1,796,123</u>	<u>288,298</u>
Restricted Intergovernmental Revenues:			
Powell Bill	715,000	717,607	2,607
Miscellaneous contribution	6,979	11,693	4,714
ABC distribution	4,500	9,133	4,633
Federal grant	45,000	42,611	(2,389)
Total	<u>771,479</u>	<u>781,044</u>	<u>9,565</u>
Permits and Fees:			
Building permits and inspection fees	243,750	146,665	(97,085)
Total	<u>243,750</u>	<u>146,665</u>	<u>(97,085)</u>
Sales and Services:			
Court costs and fines	10,000	5,996	(4,004)
Recreation revenues	292,984	278,701	(14,283)
Disposal fees	752,555	741,027	(11,528)
Total	<u>1,055,539</u>	<u>1,025,724</u>	<u>(29,815)</u>
Contributions	<u>252,454</u>	<u>199,294</u>	<u>(53,160)</u>
Investment Earnings	<u>42,000</u>	<u>17,968</u>	<u>(24,032)</u>
Miscellaneous	<u>160,382</u>	<u>93,301</u>	<u>(67,081)</u>
Total revenues	<u>18,968,676</u>	<u>19,204,207</u>	<u>235,531</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Mayor and Council:			
Salaries and employee benefits		70,538	
Operating expenditures		302,358	
Payment to Thomasville Tourism Commission		119,270	
Reimbursement from other funds		(36,001)	
Total	<u>584,586</u>	<u>456,165</u>	<u>128,421</u>
Administration:			
Salaries and employee benefits		272,596	
Operating expenditures		15,788	
Reimbursement from other funds		(70,945)	
Total	<u>226,943</u>	<u>217,439</u>	<u>9,504</u>
Personnel:			
Salaries and employee benefits		161,860	
Operating expenditures		28,098	
Reimbursement from other funds		(42,608)	
Total	<u>186,455</u>	<u>147,350</u>	<u>39,105</u>
City Hall:			
Salaries and employee benefits		45,238	
Operating expenditures		74,469	
Reimbursement from other funds		(39,224)	
Total	<u>123,093</u>	<u>80,483</u>	<u>42,610</u>
Finance:			
Salaries and employee benefits		313,076	
Operating expenditures		71,238	
Reimbursement from other funds		(98,659)	
Total	<u>310,593</u>	<u>285,655</u>	<u>24,938</u>
MIS:			
Salaries and employee benefits		130,884	
Operating expenditures		150,766	
Capital outlay		5,450	
Reimbursement from other funds		(76,178)	
Total	<u>225,349</u>	<u>210,922</u>	<u>14,427</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Legal:			
Salaries and employee benefits		124,398	
Professional services		2,373	
Operating expenditures		3,283	
Reimbursement from other funds		(40,498)	
Total	<u>129,547</u>	<u>89,556</u>	<u>39,991</u>
Tax Collection:			
Contract services	<u>125,000</u>	<u>123,233</u>	<u>1,767</u>
Total	<u>125,000</u>	<u>123,233</u>	<u>1,767</u>
Total general government	<u>1,911,566</u>	<u>1,610,803</u>	<u>300,763</u>
Public Works:			
Building:			
Salaries and employee benefits		61,961	
Operating expenditures		43,713	
Total	<u>119,310</u>	<u>105,674</u>	<u>13,636</u>
Engineering:			
Salaries and employee benefits		280,404	
Operating expenditures		13,279	
Capital outlay		21,422	
Reimbursement from other funds		(79,158)	
Total	<u>246,587</u>	<u>235,947</u>	<u>10,640</u>
Streets and Highways:			
Salaries and employee benefits		466,399	
Street lighting		471,128	
Operating expenditures		188,920	
Capital outlay		138,852	
Total	<u>1,321,572</u>	<u>1,265,299</u>	<u>56,273</u>
Powell Bill:			
Salaries and employee benefits		410,199	
Operating expenditures		370,130	
Total	<u>954,766</u>	<u>780,329</u>	<u>174,437</u>
Fleet Services:			
Salaries and employee benefits		219,646	
Operating expenditures		46,773	
Capital outlay		6,999	
Reimbursement from other funds		(67,969)	
Total	<u>216,966</u>	<u>205,449</u>	<u>11,517</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Solid Waste:			
Salaries and employee benefits		1,293,712	
Operating expenditures		907,407	
Capital outlay		366,462	
Total	<u>2,601,625</u>	<u>2,567,581</u>	34,044
Total public works	<u>5,460,826</u>	<u>5,160,279</u>	300,547
Public Safety:			
Police Department:			
Salaries and employee benefits		4,405,408	
Operating expenditures		761,341	
Capital outlay		206,463	
Total	<u>5,812,131</u>	<u>5,373,212</u>	438,919
Fire Department:			
Salaries and employee benefits		3,720,698	
Operating expenditures		477,051	
Capital outlay		18,731	
Total	<u>4,345,691</u>	<u>4,216,480</u>	129,211
Inspection:			
Salaries and employee benefits		266,718	
Operating expenditures		48,096	
Capital outlay		20,510	
Reimbursement from other funds		(111,032)	
Total	<u>311,343</u>	<u>224,292</u>	87,051
Radio Service:			
Operating expenditures		73,712	
Capital outlay		939,278	
Reimbursement from other funds		(251,204)	
Total	<u>803,555</u>	<u>761,786</u>	41,769
Planning and Zoning:			
Salaries and employee benefits		68,292	
Operating expenditures		19,861	
Total	<u>102,224</u>	<u>88,153</u>	14,071
Total public safety	<u>11,374,944</u>	<u>10,663,923</u>	711,021
Cultural and Recreation:			
Administration:			
Salaries and employee benefits		141,828	
Operating expenditures		13,044	
Total	<u>160,845</u>	<u>154,872</u>	5,973

CITY OF THOMASVILLE, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Organized Programs:			
Salaries and employee benefits		287,357	
Operating expenditures		41,577	
Total	<u>364,721</u>	<u>328,934</u>	<u>35,787</u>
Areas and Facilities:			
Salaries and employee benefits		194,668	
Operating expenditures		277,766	
Capital outlay		83,868	
Total	<u>580,625</u>	<u>556,302</u>	<u>24,323</u>
Total cultural and recreation	<u>1,106,191</u>	<u>1,040,108</u>	<u>66,083</u>
Debt Service:			
Principal retirement		656,128	
Interest and fees		53,692	
Total debt service	<u>748,200</u>	<u>709,820</u>	<u>38,380</u>
Miscellaneous expenditures	<u>168,730</u>	<u>6,564</u>	<u>162,166</u>
Total expenditures	<u>20,770,457</u>	<u>19,191,497</u>	<u>1,578,960</u>
Revenues over (under) expenditures	<u>(1,801,781)</u>	<u>12,710</u>	<u>1,814,491</u>
Other Financing Sources (Uses):			
Capital lease financing	1,515,171	1,164,778	
Transfers from:			
Police Restitution and Forfeitures Fund	80,000	80,000	
Transfers to:			
Police Restitution and Forfeitures Fund	(10,000)	(10,000)	
Cemetery Fund	(10,000)	(10,000)	
General Capital Projects Fund	(150,000)	-	
Golf Course Enterprise Fund	(120,743)	(120,743)	
Beautification Fund	(35,000)	(35,000)	
Appropriated fund balance	<u>532,353</u>	<u>-</u>	
Total other financing sources (uses)	<u>1,801,781</u>	<u>1,069,035</u>	<u>(732,746)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,081,745</u>	<u>\$ 1,081,745</u>
Fund Balance:			
Beginning of year - July 1		<u>8,336,174</u>	
End of year - June 30		<u>\$ 9,417,919</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>Nonmajor Special Revenue Funds</u>			
	<u>City School Supplement Fund</u>	<u>Police Restitution and Forfeitures Fund</u>	<u>Stormwater Fund</u>	<u>Cemetery Fund</u>
Assets:				
Cash and cash equivalents	\$ -	\$ 169,362	\$ 759,473	\$ 30,671
Restricted cash	-	-	-	1,640
Taxes receivable, net	179,772	-	-	-
Accounts receivable, net	-	-	16,014	-
Due from other funds	30,761	-	-	-
Total assets	<u>\$ 210,533</u>	<u>\$ 169,362</u>	<u>\$ 775,487</u>	<u>\$ 32,311</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accrued expenses	\$ 30,761	\$ 408	\$ -	\$ 32
Due to other funds	-	-	-	-
Deposits	-	-	-	1,640
Total liabilities	<u>30,761</u>	<u>408</u>	<u>-</u>	<u>1,672</u>
Deferred Inflows of Resources:				
Unavailable taxes	179,772	-	-	-
Grant receivable	-	-	-	-
Total deferred inflows of resources	<u>179,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	30,761	-	16,014	-
Restricted, all other	-	168,954	-	-
Assigned	-	-	759,473	30,639
Unassigned	(30,761)	-	-	-
Total fund balances	<u>-</u>	<u>168,954</u>	<u>775,487</u>	<u>30,639</u>
Total liabilities, deferred inflows of resources, resources, and fund balances	<u>\$ 210,533</u>	<u>\$ 169,362</u>	<u>\$ 775,487</u>	<u>\$ 32,311</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>Nonmajor Special Revenue Funds</u>			
	<u>Beautification Fund</u>	<u>Public Safety Grant Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 17,016	\$ -	\$ -	\$ 976,522
Restricted cash	-	-	-	1,640
Taxes receivable, net	-	-	-	179,772
Accounts receivable, net	-	-	10,237	26,251
Due from other funds	-	-	-	30,761
Total assets	<u>\$ 17,016</u>	<u>\$ -</u>	<u>\$ 10,237</u>	<u>\$ 1,214,946</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accrued expenses	\$ 31	\$ -	\$ -	\$ 31,232
Due to other funds	-	-	10,237	10,237
Deposits	-	-	-	1,640
Total liabilities	<u>31</u>	<u>-</u>	<u>10,237</u>	<u>43,109</u>
Deferred Inflows of Resources:				
Unavailable taxes	-	-	-	179,772
Grant receivable	-	-	10,237	10,237
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>10,237</u>	<u>190,009</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	-	-	10,237	57,012
Restricted, all other	-	-	-	168,954
Assigned	16,985	-	-	807,097
Unassigned	-	-	(20,474)	(51,235)
Total fund balances	<u>16,985</u>	<u>-</u>	<u>(10,237)</u>	<u>981,828</u>
Total liabilities, deferred inflows of resources, resources, and fund balances	<u>\$ 17,016</u>	<u>\$ -</u>	<u>\$ 10,237</u>	<u>\$ 1,214,946</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Nonmajor Special Revenue Funds</u>			
	<u>City School Supplement Fund</u>	<u>Police and Restitution and Forfeitures Fund</u>	<u>Stormwater Fund</u>	<u>Cemetery Fund</u>
Revenues:				
Ad valorem taxes	\$ 1,378,470	\$ -	\$ -	\$ -
Restricted intergovernmental	-	38,524	-	-
Permits and fees	270	-	134,202	-
Contributions	-	-	-	9,784
Investment earnings	-	377	1,393	-
Miscellaneous revenue	-	2,501	-	-
Total revenues	<u>1,378,740</u>	<u>41,402</u>	<u>135,595</u>	<u>9,784</u>
Expenditures:				
Current:				
General government	1,378,740	-	86,402	12,788
Public safety	-	33,964	-	-
Economic and physical development	-	-	-	-
Total expenditures	<u>1,378,740</u>	<u>33,964</u>	<u>86,402</u>	<u>12,788</u>
Revenues over (under) expenditures	<u>-</u>	<u>7,438</u>	<u>49,193</u>	<u>(3,004)</u>
Other Financing Sources (Uses):				
Transfers to General Fund	-	(80,000)	-	-
Transfers from General Fund	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total other financing sources (uses)	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>10,000</u>
Net change in fund balances	-	(62,562)	49,193	6,996
Fund Balances:				
Beginning of year - July 1	<u>-</u>	<u>231,516</u>	<u>726,294</u>	<u>23,643</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 168,954</u>	<u>\$ 775,487</u>	<u>\$ 30,639</u>

CITY OF THOMASVILLE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Nonmajor Speical Revenue Funds</u>			
	<u>Beautification Fund</u>	<u>Public Safety Grant Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 1,378,470
Restricted intergovernmental	-	13,009	446,826	498,359
Permits and fees	4,467	-	-	138,939
Contributions	6,200	-	-	15,984
Investment earnings	62	-	-	1,832
Miscellaneous revenue	-	-	-	2,501
Total revenues	<u>10,729</u>	<u>13,009</u>	<u>446,826</u>	<u>2,036,085</u>
Expenditures:				
Current:				
General government	42,439	-	-	1,520,369
Public safety	-	13,009	-	46,973
Economic and physical development	-	-	457,063	457,063
Total expenditures	<u>42,439</u>	<u>13,009</u>	<u>457,063</u>	<u>2,024,405</u>
Revenues over (under) expenditures	<u>(31,710)</u>	<u>-</u>	<u>(10,237)</u>	<u>11,680</u>
Other Financing Sources (Uses):				
Transfers to General Fund	-	-	-	(80,000)
Transfers from General Fund	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balances	3,290	-	(10,237)	(13,320)
Fund Balances:				
Beginning of year - July 1	<u>13,695</u>	<u>-</u>	<u>-</u>	<u>995,148</u>
End of year - June 30	<u>\$ 16,985</u>	<u>\$ -</u>	<u>\$ (10,237)</u>	<u>\$ 981,828</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**CITY SCHOOL SUPPLEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year - property	\$ 1,338,659	\$ 1,307,213	\$ (31,446)
Prior years - property	53,000	71,257	18,257
Miscellaneous revenue	500	270	(230)
Total revenues	<u>1,392,159</u>	<u>1,378,740</u>	<u>(13,419)</u>
Expenditures:			
General Government:			
Operating expenditures	<u>1,392,159</u>	<u>1,378,740</u>	<u>13,419</u>
Total expenditures	<u>1,392,159</u>	<u>1,378,740</u>	<u>13,419</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

POLICE RESTITUTION AND FORFEITURES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted Intergovernmental:			
Forfeitures and restitution	\$ 47,975	\$ 27,294	\$ (20,681)
Controlled substance tax	8,000	11,230	3,230
Sale of fixed assets	-	2,501	2,501
Investment earnings	-	377	377
Total revenues	<u>55,975</u>	<u>41,402</u>	<u>(14,573)</u>
Expenditures:			
Current:			
Public Safety:			
Current operating	68,474	33,964	34,510
Capital outlay	31,000	-	31,000
Total expenditures	<u>99,474</u>	<u>33,964</u>	<u>65,510</u>
Revenues over (under) expenditures	<u>(43,499)</u>	<u>7,438</u>	<u>50,937</u>
Other Financing Sources (Uses):			
Appropriated fund balance	113,499	-	(113,499)
Transfer to General Fund	(80,000)	(80,000)	-
Transfer from General Fund	10,000	10,000	-
Total other financing sources (uses)	<u>43,499</u>	<u>(70,000)</u>	<u>(113,499)</u>
Net change in fund balance	<u>\$ -</u>	<u>(62,562)</u>	<u>\$ (62,562)</u>
Fund Balance:			
Beginning of year - July 1		<u>231,516</u>	
End of year - June 30		<u>\$ 168,954</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

**STORMWATER FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Permits and fees			
Stormwater fees	\$ 103,380	\$ 134,202	\$ 30,822
Investment earnings	-	1,393	1,393
Total revenues	<u>103,380</u>	<u>135,595</u>	<u>32,215</u>
Expenditures:			
Current:			
General Government:			
Current operating	<u>103,380</u>	<u>86,402</u>	<u>16,978</u>
Total expenditures	<u>103,380</u>	<u>86,402</u>	<u>16,978</u>
Net change in fund balance	<u>\$ -</u>	<u>49,193</u>	<u>\$ 49,193</u>
Fund Balance:			
Beginning of year - July 1		<u>726,294</u>	
End of year - June 30		<u>\$ 775,487</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Contributions	\$ 3,000	\$ 9,784	\$ 6,784
Total revenues	<u>3,000</u>	<u>9,784</u>	<u>6,784</u>
Expenditures:			
Current:			
General Government:			
Current operating	12,900	12,788	112
Capital outlay	<u>17,862</u>	<u>-</u>	<u>17,862</u>
Total expenditures	<u>30,762</u>	<u>12,788</u>	<u>17,974</u>
Revenues over (under) expenditures	<u>(27,762)</u>	<u>(3,004)</u>	<u>24,758</u>
Other Financing Sources (Uses):			
Appropriated fund balance	17,762	-	(17,762)
Transfer from General Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>27,762</u>	<u>10,000</u>	<u>(17,762)</u>
Net change in fund balance	<u>\$ -</u>	6,996	<u>\$ 6,996</u>
Fund Balance:			
Beginning of year - July 1		<u>23,643</u>	
End of year - June 30		<u>\$ 30,639</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

BEAUTIFICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Sales and rents	\$ 4,357	\$ 4,467	\$ 110
Contributions	6,200	6,200	-
Total operating revenues	<u>10,557</u>	<u>10,667</u>	<u>110</u>
Non-operating revenues:			
Investment earnings	<u>100</u>	<u>62</u>	<u>(38)</u>
Total revenues	<u>10,657</u>	<u>10,729</u>	<u>72</u>
Expenditures:			
Current operating:			
General government	<u>47,655</u>	<u>42,439</u>	<u>5,216</u>
Revenues over (under) expenditures	<u>(36,998)</u>	<u>(31,710)</u>	<u>5,288</u>
Other Financing Sources (Uses):			
Transfers in - General Fund	35,000	35,000	-
Appropriated fund balance	<u>1,998</u>	<u>-</u>	<u>(1,998)</u>
Total other financing sources (uses)	<u>36,998</u>	<u>35,000</u>	<u>(1,998)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,290</u>	<u>\$ 3,290</u>
Fund Balance:			
Beginning of year - July 1		<u>13,695</u>	
End of year - June 30		<u>\$ 16,985</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

PUBLIC SAFETY GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Project	
Revenues:					
Restricted Intergovernmental:					
Justice Assistance Grant (13)	\$ 12,427	\$ 10,755	\$ -	\$ -	\$ 10,755
Justice Assistance Grant (14)	13,107	-	13,009	-	13,009
Justice Assistance Grant (12)	-	13,144	-	(13,144)	-
Governor's Highway Safety Grant	-	226,818	-	(226,818)	-
Total revenues	<u>25,534</u>	<u>250,717</u>	<u>13,009</u>	<u>(239,962)</u>	<u>23,764</u>
Expenditures:					
Justice Assistance Grant (13):					
Equipment	<u>12,427</u>	<u>10,755</u>	<u>-</u>	<u>-</u>	<u>10,755</u>
Justice Assistance Grant (14):					
Equipment	<u>13,107</u>	<u>-</u>	<u>13,009</u>	<u>-</u>	<u>13,009</u>
Justice Assistance Grant (12):					
Equipment	<u>-</u>	<u>13,142</u>	<u>-</u>	<u>(13,142)</u>	<u>-</u>
Governor's Highway Safety Grant:					
Equipment	<u>-</u>	<u>344,261</u>	<u>-</u>	<u>(344,261)</u>	<u>-</u>
Total expenditures	<u>25,534</u>	<u>368,158</u>	<u>13,009</u>	<u>(357,403)</u>	<u>23,764</u>
Revenues over (under) expenditures	<u>-</u>	<u>(117,441)</u>	<u>-</u>	<u>117,441</u>	<u>(117,441)</u>
Other Financing Sources (Uses):					
Transfers from General Fund	<u>-</u>	<u>117,441</u>	<u>-</u>	<u>(117,441)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>117,441</u>	<u>-</u>	<u>(117,441)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF THOMASVILLE, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>		
Revenues:						
Restricted Intergovernmental:						
Scattered site housing	\$ -	\$ 379,159	\$ -	\$ (379,159)	\$ -	\$ -
Individual Development Program	-	20,000	-	(20,000)	-	-
Building Re-Use Grant 13-E-2601	1,170,000	1,209,909	446,826	(760,000)	896,735	(273,265)
Total revenues	1,170,000	1,609,068	446,826	(1,159,159)	896,735	(273,265)
Expenditures:						
General Government:						
Scattered Site Housing:						
Operating expenditures	-	378,809	-	(378,809)	-	-
Individual Development Program:						
Operating expenditures	-	20,000	-	(20,000)	-	-
Building Re-Use Grant:						
Operating expenditures 13-E-2601	1,170,000	1,209,909	457,063	(760,000)	906,972	263,028
Total expenditures	1,170,000	1,608,718	457,063	(1,158,809)	906,972	263,028
Revenues over (under) expenditures	-	350	(10,237)	(350)	(10,237)	(10,587)
Other Financing Sources (Uses):						
Transfers to General Fund	-	(350)	-	350	-	350
Total other financing sources (uses)	-	(350)	-	350	-	350
Net change in fund balance	\$ -	\$ -	\$ (10,237)	\$ -	\$ (10,237)	\$ (10,237)

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for Services:			
Water and sewer charges	\$ 10,767,690	\$ 11,087,177	\$ 319,487
Connection Fees:			
Water and sewer taps	30,000	35,397	5,397
Reconnection fees	175,000	178,710	3,710
Total connection fees	205,000	214,107	9,107
Total charges for services and connection fees	10,972,690	11,301,284	328,594
Restricted Intergovernmental:			
Other operating revenues	548,885	585,039	36,154
Total operating revenues	11,521,575	11,886,323	364,748
Non-operating revenues:			
Miscellaneous	157,724	32,112	(125,612)
Interest earned on investments	10,000	8,163	(1,837)
Total non-operating revenues	167,724	40,275	(127,449)
Total revenues	11,689,299	11,926,598	237,299
Expenditures:			
Administration:			
Salaries and employee benefits	102,151	101,674	477
Administrative fees	9,573	9,573	-
Other departmental expenditures	5,998	4,116	1,882
Total administration	117,722	115,363	2,359
Billing and Collection:			
Salaries and employee benefits	243,340	245,165	(1,825)
Telephone and postage	52,100	50,967	1,133
Administrative fees	34,370	34,370	-
Contract services	47,000	46,182	818
Other departmental expenditures	124,468	50,246	74,222
Total billing and collection	501,278	426,930	74,348

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Meter Service:			
Salaries and employee benefits	173,040	173,055	(15)
Supplies	2,733	1,946	787
Administrative fees	17,005	17,005	-
Other departmental expenditures	23,789	20,863	2,926
Capital outlay	20,390	20,390	-
Total meter service	<u>236,957</u>	<u>233,259</u>	<u>3,698</u>
Water Treatment Plant:			
Salaries and employee benefits	477,089	419,018	58,071
Utilities	186,200	168,865	17,335
Supplies and maintenance materials	269,959	226,583	43,376
Repairs and maintenance	267,342	155,591	111,751
Administrative fees	220,914	220,914	-
Other departmental expenditures	85,098	83,892	1,206
Capital outlay	5,572	5,563	9
Total water treatment plant	<u>1,512,174</u>	<u>1,280,426</u>	<u>231,748</u>
Construction and Maintenance:			
Salaries and employee benefits	646,843	677,062	(30,219)
Supplies and maintenance materials	252,190	172,872	79,318
Repairs and maintenance	67,475	68,490	(1,015)
Contract services	385,208	321,203	64,005
Administrative fees	171,831	171,831	-
Other departmental expenditures	322,881	160,789	162,092
Capital outlay	913,592	301,795	611,797
Total construction and maintenance	<u>2,760,020</u>	<u>1,874,042</u>	<u>885,978</u>
Waste Treatment Plant:			
Salaries and employee benefits	704,400	693,538	10,862
Utilities	286,680	270,993	15,687
Supplies and maintenance materials	90,385	77,121	13,264
Repairs and maintenance	197,192	143,435	53,757
Contract services	384,327	339,711	44,616
Administrative fees	459,783	459,783	-
Other departmental expenditures	129,121	106,129	22,992
Capital outlay	110,900	77,647	33,253
Total waste treatment plant	<u>2,362,788</u>	<u>2,168,357</u>	<u>194,431</u>
Contribution to joint venture	<u>38,548</u>	<u>33,415</u>	<u>5,133</u>
Miscellaneous	<u>131,205</u>	<u>-</u>	<u>131,205</u>

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal retirement	3,289,560	3,256,257	33,303
Interest and fees	1,136,020	1,118,653	17,367
Total debt service	<u>4,425,580</u>	<u>4,374,910</u>	<u>50,670</u>
 Total expenditures	 <u>12,086,272</u>	 <u>10,506,702</u>	 <u>1,579,570</u>
 Revenues over (under) expenditures	 <u>(396,973)</u>	 <u>1,419,896</u>	 <u>1,816,869</u>
Other Financing Sources (Uses):			
Installment financing	287,771	169,679	(118,092)
Transfer from Water and Sewer Capital Projects Fund	-	68,325	68,325
Transfer to Water and Sewer Capital Reserve Fund	(300,000)	(300,000)	-
Transfer to Water and Sewer Capital Projects Fund	(109,295)	(109,295)	-
Appropriated retained earnings	518,497	-	(518,497)
Total other financing sources (uses)	<u>396,973</u>	<u>(171,291)</u>	<u>(568,264)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 1,248,605</u>	 <u>\$ 1,248,605</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 1,248,605</u>	
Reconciling items:			
Payment of debt principal		3,256,257	
Depreciation and amortization		(3,283,796)	
Capital outlay expenditures		427,370	
Capital project fund expenditures not capitalized		(3,177)	
Transfer to Capital Reserve Fund		300,000	
Transfer to Water Capital Project Fund		109,295	
Installment financing issued		(169,679)	
Capital Project fund revenues		494,988	
Transfer from Water Capital Project Fund		(68,325)	
Compensated absences		(6,270)	
Other post-employment benefits		(24,682)	
Investment earnings in capital reserve		577	
Deferred outflows of resources for contributions made to pension plan in the current year		115,627	
Bad debt expense		(97,470)	
Pension expense		(8,900)	
Change in accrued interest		2,180	
Total reconciling items		<u>1,043,995</u>	
 Change in net position		 <u>\$ 2,292,600</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 COMBINED REVENUE BONDS AND STATE REVOLVING LOAN
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Sales tax refund	\$ -	\$ 123,181	\$ 39,080	\$ 162,261	\$ 162,261
Restricted intergovernmental	539,337	-	455,908	455,908	(83,429)
Total revenues	<u>539,337</u>	<u>123,181</u>	<u>494,988</u>	<u>618,169</u>	<u>78,832</u>
Expenditures:					
North Hamby Creek Outfall Sewer Project - North Hamby Creek Outfall Sewer Project - engineering	326,709	191,456	45,937	237,393	89,316
North Hamby Creek Outfall Sewer Project - North Hamby Creek Outfall Sewer Project - contingency	150,148	-	-	-	150,148
North Hamby Creek Outfall Sewer Project - North Hamby Creek Outfall Sewer Project - construction	3,152,955	1,533,653	1,227,108	2,760,761	392,194
Water Plant Clearwell Roof Project - Water Plant Clearwell Roof Project - engineering	125,000	82,000	26,300	108,300	16,700
Water Plant Clearwell Roof Project - Water Plant Clearwell Roof Project - construction	1,372,000	-	606,308	606,308	765,692
Fairgrove Water Main Improvement - Fairgrove Water Main Improvement - engineering	167,372	91,979	-	91,979	75,393
Fairgrove Water Main Improvement - Fairgrove Water Main Improvement - contingency	10,180	-	-	-	10,180
Fairgrove Water Main Improvement - Fairgrove Water Main Improvement - construction	1,186,353	1,085,262	-	1,085,262	101,091
Northside Pump Station Northside Pump Station - engineering	68,548	47,378	7,500	54,878	13,670
Northside Pump Station - Northside Pump Station - contingency	10,517	-	-	-	10,517
Northside Pump Station - Northside Pump Station - construction	724,178	609,039	93,411	702,450	21,728
East Davidson Pump Station Rehab - East Davidson Pump Station Rehab - construction	785,456	9,326	687,612	696,938	88,518
Total expenditures	<u>8,079,416</u>	<u>3,650,093</u>	<u>2,694,176</u>	<u>6,344,269</u>	<u>1,735,147</u>
Revenues over (under) expenditures	<u>(7,540,079)</u>	<u>(3,526,912)</u>	<u>(2,199,188)</u>	<u>(5,726,100)</u>	<u>(1,656,315)</u>
Other Financing Sources (Uses):					
State revolving loan	5,470,594	3,200,221	1,767,256	4,967,477	503,117
Transfer from Water and Sewer Capital Reserve Fund	-	1,387,705	-	1,387,705	(1,387,705)
Transfers from Water and Sewer Fund	2,069,485	591,201	109,295	700,496	1,368,989
Transfers to Water Sewer Fund	-	-	(68,325)	(68,325)	68,325
Total other financing sources (uses)	<u>7,540,079</u>	<u>5,179,127</u>	<u>1,808,226</u>	<u>6,987,353</u>	<u>(552,726)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,652,215</u>	<u>\$ (390,962)</u>	<u>\$ 1,261,253</u>	<u>\$ 1,261,253</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 577	\$ 577
Total revenues	<u>-</u>	<u>577</u>	<u>577</u>
Other Financing Sources (Uses):			
Transfers:			
From Water and Sewer Fund	300,000	300,000	-
To Capital Projects Fund	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 300,577</u>	<u>\$ 300,577</u>

CITY OF THOMASVILLE, NORTH CAROLINA

GOLF COURSE ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues			
Charges for services	\$ 626,271	\$ 451,583	\$ (174,688)
Interest	-	77	77
Miscellaneous	<u>13,800</u>	<u>5,412</u>	<u>(8,388)</u>
Total revenues	<u>640,071</u>	<u>457,072</u>	<u>(182,999)</u>
Expenditures:			
Golf Course Clubhouse:			
Salaries and employee benefits	146,214	141,872	4,342
Other departmental expenditures	<u>72,678</u>	<u>56,398</u>	<u>16,280</u>
Total golf course clubhouse	<u>218,892</u>	<u>198,270</u>	<u>20,622</u>
Golf Course Maintenance:			
Salaries and employee benefits	277,449	267,217	10,232
Other departmental expenditures	208,097	158,476	49,621
Capital outlay	<u>49,541</u>	<u>49,351</u>	<u>190</u>
Total golf course maintenance	<u>535,087</u>	<u>475,044</u>	<u>60,043</u>
Debt Service:			
Debt principal	37,797	37,346	451
Interest	<u>359</u>	<u>595</u>	<u>(236)</u>
Total debt service	<u>38,156</u>	<u>37,941</u>	<u>215</u>
Total expenditures	<u>792,135</u>	<u>711,255</u>	<u>80,880</u>
Revenues over (under) expenditures	<u>(152,064)</u>	<u>(254,183)</u>	<u>(102,119)</u>
Other Financing Sources (Uses):			
Transfer from General Fund	120,743	120,743	-
Installment note issued	36,321	36,321	-
Contingency	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total other financing sources (uses)	<u>152,064</u>	<u>157,064</u>	<u>5,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (97,119)</u>	<u>\$ (97,119)</u>

CITY OF THOMASVILLE, NORTH CAROLINA

**GOLF COURSE ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (97,119)	
Reconciling items:			
Depreciation		(242,335)	
Installment note issued		(36,321)	
Capital outlay expenditures		49,351	
Deferred outflows of resources for contributions made to pension plan in the current year		24,777	
Pension expense		(1,908)	
Compensated absences		(3,539)	
Other post-employment benefits		(6,961)	
Debt principal		<u>37,346</u>	
Total reconciling items		<u>(179,590)</u>	
Change in net position		<u>\$ (276,709)</u>	

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 9,648,104	\$ 9,277,289	\$ 370,815
2013-2014	617,160	-	214,047	403,113
2012-2013	296,030	-	72,171	223,859
2011-2012	248,185	-	58,154	190,031
2010-2011	201,801	-	43,799	158,002
2009-2010	145,698	-	14,188	131,510
2008-2009	36,932	-	11,360	25,572
2007-2008	95,756	-	4,278	91,478
2006-2007	51,222	-	720	50,502
2005-2006	31,408	-	669	30,739
2004-2005	40,083	-	40,083	-
Total	<u>\$ 1,764,275</u>	<u>\$ 9,648,104</u>	<u>\$ 9,736,758</u>	1,675,621
Less allowance for uncollectible ad valorem taxes receivable				<u>783,000</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 892,621</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund				\$ 9,792,398
Amounts written off per Statute of Limitations				(40,083)
Collection of prior taxes written off				2,369
Discounts allowed				86,559
Releases allowed				13,030
Interest and penalties collected				<u>(117,515)</u>
Total collections and credits				<u>\$ 9,736,758</u>

CITY OF THOMASVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 1,638,227,635	\$ 0.56	\$ 9,207,812	\$ 8,532,555	\$ 675,257
Registered motor vehicles taxed at prior year's taxes	25,044,500	0.56	140,249	-	140,249
Total	<u>1,663,272,135</u>		<u>9,348,061</u>	<u>8,532,555</u>	<u>815,506</u>
Discoveries:					
Current year taxes	<u>53,579,155</u>		<u>300,043</u>	<u>300,043</u>	<u>-</u>
Total property valuation	<u>\$ 1,716,851,290</u>	(a)			
Net Levy			9,648,104	8,832,598	815,506
Less uncollected taxes at June 30, 2015			<u>370,815</u>	<u>368,043</u>	<u>2,772</u>
Current Year's Taxes Collected			<u>\$ 9,277,289</u>	<u>\$ 8,464,555</u>	<u>\$ 812,734</u>
Current Levy Collection Percentage			<u>96.16%</u>	<u>95.83%</u>	<u>99.66%</u>
(a) Total property valuation consists of the following:					
Real property	\$ 1,355,319,732				
Personal property	318,012,908				
Public utilities property	<u>43,518,650</u>				
Total	<u>\$ 1,716,851,290</u>				

CITY OF THOMASVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - CITY SCHOOL FUND
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 1,513,915	\$ 1,419,740	\$ 94,175
2013-2014	122,719	-	47,285	75,434
2012-2013	66,986	-	16,778	50,208
2011-2012	59,095	-	14,305	44,790
2010-2011	44,629	-	9,556	35,073
2009-2010	55,060	-	2,909	52,151
2008-2009	100,524	-	2,121	98,403
2007-2008	10,502	-	742	9,760
2006-2007	31,005	-	211	30,794
2005-2006	45,203	-	219	44,984
2004-2005	21,817	-	21,817	-
Total	<u>\$ 557,540</u>	<u>\$ 1,513,915</u>	<u>\$ 1,535,683</u>	535,772
Less allowance for uncollectible ad valorem taxes receivable				<u>356,000</u>
Ad Valorem Taxes Receivable, Net				
City School Fund				<u>\$ 179,772</u>
Reconciliation With Revenues:				
Ad valorem taxes - City School Supplement Fund				\$ 1,378,470
Amounts written off per Statute of Limitations				(21,817)
Collection of prior taxes written off				554
Releases allowed				166,650
Interest and penalties collected				<u>11,826</u>
Total collections and credits				<u>\$ 1,535,683</u>

CITY OF THOMASVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 830,342,010	\$ 0.18	\$ 1,494,617	\$ 1,399,514	\$ 95,103
Registered motor vehicles taxed at prior year's rate	<u>10,721,010</u>	0.18	<u>19,298</u>	<u>-</u>	<u>19,298</u>
Total	<u>841,063,020</u>		<u>1,513,915</u>	<u>1,399,514</u>	<u>114,401</u>
Total property valuation	<u>\$ 841,063,020</u>				
Net Levy			1,513,915	1,399,514	114,401
Less uncollected taxes at June 30, 2015			<u>94,175</u>	<u>93,838</u>	<u>337</u>
Current Year's Taxes Collected			<u>\$ 1,419,740</u>	<u>\$ 1,305,676</u>	<u>\$ 114,064</u>
Current Levy Collection Percentage			<u>93.78%</u>	<u>93.29%</u>	<u>99.71%</u>

CITY OF THOMASVILLE, NORTH CAROLINA

PROPERTY VALUATION AND LEVY OF TOP TEN COMPANIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Real Value</u>	<u>Personal Value</u>	<u>Total Value</u>	<u>City Levy</u>	<u>School Levy</u>
Unilin Flooring NC, LLC	\$ 21,762,760	\$ 34,257,991	\$ 56,020,751	\$ 313,716	\$ -
Old Dominion Freight Lines Inc.	4,661,550	19,229,377	23,890,927	133,789	-
Duke Power Company	-	17,747,595	17,747,595	99,387	23,248
Coveris Flexibles (Thomasville)	-	14,032,334	14,032,334	78,581	25,258
Wal-Mart Stores	13,176,120	-	13,176,120	73,786	-
Heritage Home Group	12,257,640	-	12,257,640	68,643	15,305
Brass Craft MFG	2,859,440	7,974,380	10,833,820	60,669	19,501
North State Telephone Co.	-	8,941,737	8,941,737	50,074	-
IRT Properties Co.	8,740,030	-	8,740,030	48,944	-
Southgate Plaza Associates	<u>7,427,950</u>	<u>-</u>	<u>7,427,950</u>	<u>41,597</u>	<u>8,134</u>
Total	<u>\$ 70,885,490</u>	<u>\$ 102,183,414</u>	<u>\$ 173,068,904</u>	<u>\$ 969,186</u>	<u>\$ 91,446</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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, North Carolina

We 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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thomasville as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Thomasville's basic financial statements, and have issued our report thereon dated October 2, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Thomasville Board of Education, as described in our report on the City of Thomasville's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City of Thomasville ABC Board and the Thomasville Tourism Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Thomasville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Thomasville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 2, 2015

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Thomasville, North Carolina, 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 its major Federal programs for the year ended June 30, 2015. The City of Thomasville's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Thomasville's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 City of Thomasville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City of Thomasville's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Thomasville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Thomasville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Thomasville's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Thomasville'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, non-compliance 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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 2, 2015

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Thomasville, North Carolina

Report On Compliance for Each Major State Program

We have audited the City of Thomasville, North Carolina, compliance with the types of compliance requirements described in 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 City of Thomasville's major State programs for the year ended June 30, 2015. The City of Thomasville's major State 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 State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Thomasville's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Thomasville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Thomasville's compliance.

Opinion On Each Major State Program

In our opinion, the City of Thomasville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

Management of the City of Thomasville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Thomasville's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State 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, we do not express an opinion on the effectiveness of the City of Thomasville'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, non-compliance with a type of compliance requirement of a State 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 non-compliance with a type of compliance requirement of a State program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 2, 2015

CITY OF THOMASVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency identified that is not considered to be a material weakness	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 U.S. Office of Management and Budget, Circular A-133, <i>Audits of States, Local Governments, and Non Profit Organizations</i> , Section 510(a)?	No

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
66.458, 66.482	Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

CITY OF THOMASVILLE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Program Name

Powell Bill
Clean Water Management Trust Fund
NC Department of Commerce NC Rural Building Reuse

2. Financial Statements Findings

None reported

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

CITY OF THOMASVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

No prior year findings

CITY OF THOMASVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department of Environmental and Natural Resources				
Clean Water State Revolving Fund Cluster:				
Clean Water State Revolving Loan	66.458	CS370619-04	\$ 1,297,872	
Clean Water State Revolving Loan	66.458	CS370619-05	97,580	
Clean Water State Revolving Loan	66.458	E-SEL-T-13-00481 2011-533	241,293	
Clean Water State Revolving Loan	66.458	H-LRX-F-09-1562	130,511	
State Clean Diesel Grant Program	66.040	6334	42,611	
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
CDBG - State Administered CDBG Cluster:				
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii	14.228	13-E-2601	34,181	
<u>U.S. Department of Justice, Bureau of Justice Assistance</u>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0402	13,009	
State Grants:				
<u>N.C. Department of Commerce</u>				
NC Rural Building Reuse		2012-021-3201-2538	\$	422,882
<u>N.C. Department of Environmental and Natural Resources</u>				
Clean Water Management Trust Fund		E-SEL-T-13-0048/2011-533		446,318
<u>N.C. Department of Transportation</u>				
Powell Bill	DOT-4	32570	-	815,541
Total Federal grants			<u>\$ 1,857,057</u>	
Total State grants				<u>\$ 1,684,741</u>

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

(1) Basis of Presentation:

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Thomasville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

(2) Loans Outstanding:

The City of Thomasville had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the Federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water State Revolving Loan	66.458	E-SEL-T-13-00481 2011-533	\$ 229,228
Clean Water State Revolving Loan	66.458	CS370619-04	2,673,069
Clean Water State Revolving Loan	66.458	CS370619-05	660,963
Clean Water State Revolving Loan	66.458	H-LRX-F-09-1562	1,077,361