

TOWN OF BLADENBORO, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2014

TOWN OF BLADENBORO, NORTH CAROLINA
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June 30, 2014

BOARD OF TOWN COUNCIL

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TOWN ADMINSTRATOR

Melanie Hester

TOWN CLERK/TAX COLLECTOR

Pamela Bowen

ATTORNEY

Maynard Law Firm

TOWN OF BLADENBORO, NORTH CAROLINA
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TOWN OF BLADENBORO

BLADENBORO, NORTH CAROLINA

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Financial Section



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Alan W. Thompson, CPA

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bladenboro, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bladenboro, North Carolina as of June 30, 2014, 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 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bladenboro, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules 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 and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of Town of Bladenboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bladenboro's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Elizabethtown, North Carolina
October 24, 2014

Town of Bladenboro
Management's Discussion and Analysis

As management of the Town of Bladenboro, we offer readers of the Town of Bladenboro's financial statements this narrative overview and analysis of the financial activities of the Town of Bladenboro for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

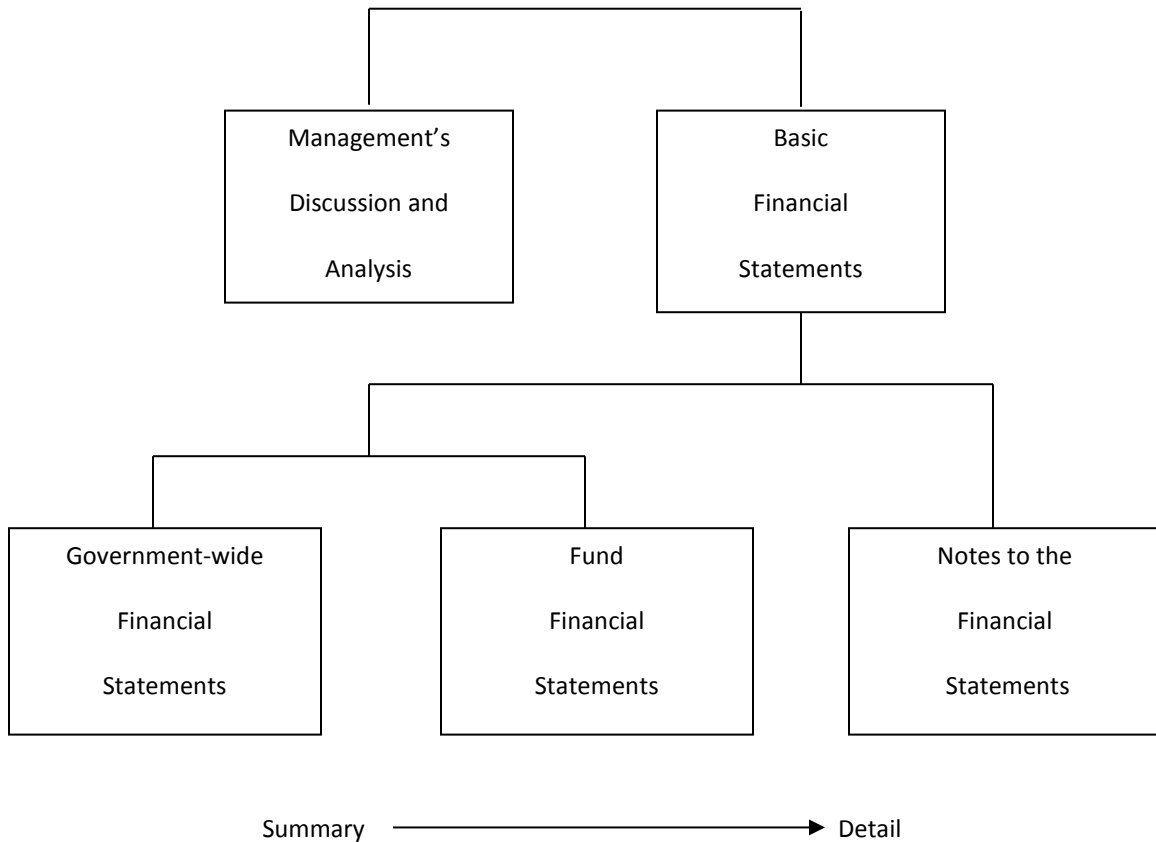
- The assets of the Town of Bladenboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,580,084 (net position).
- The government's total net position decreased by \$159,883, primarily due to the decrease in the business type activity net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$526,277 a decrease of \$136,574. Approximately 73 percent of this total amount, or \$384,662 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$127,123, or 10 percent of the total general fund expenditures for the fiscal year.
- The Town of Bladenboro's total debt decreased by \$67,595 during the current fiscal year. The key factor in this change was the scheduled debt payments net against newly issued capital lease.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Bladenboro's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Bladenboro.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bladenboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Bladenboro can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Bladenboro's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The Town of Bladenboro has only 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. Town of Bladenboro uses enterprise funds to account for its water and sewer activity. 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 22-36 of this report.

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

Government-Wide Financial Analysis

Town of Bladenboro’s Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 673,452	\$ 755,317	\$ 250,953	\$ 295,684	\$ 924,405	\$ 1,051,001
Non-current assets	-	-	-	-	-	-
Capital assets	<u>1,421,508</u>	<u>1,266,536</u>	<u>8,064,738</u>	<u>8,285,995</u>	<u>9,486,246</u>	<u>9,552,531</u>
Total assets	<u>\$ 2,094,960</u>	<u>\$ 2,021,853</u>	<u>\$ 8,315,691</u>	<u>\$ 8,581,679</u>	<u>\$ 10,410,651</u>	<u>\$ 10,603,532</u>
Current and other liabilities	\$ 104,681	\$ 48,687	\$ 64,671	\$ 77,493	\$ 169,352	\$ 126,180
Long-term liabilities						
Due within one year	104,352	95,715	27,719	27,194	132,071	122,909
Due in more than one year	483,254	542,609	45,826	69,573	529,080	612,182
Deferred inflows of resources	<u>64</u>	<u>2,294</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>2,294</u>
Total liabilities and deferred inflows or resources	<u>692,351</u>	<u>689,305</u>	<u>138,216</u>	<u>174,260</u>	<u>830,567</u>	<u>863,565</u>
Net Position						
Net investment in capital assets	870,594	668,097	7,999,102	8,200,289	8,869,696	8,868,386
Restricted	204,361	327,870	-	-	204,361	327,870
Unrestricted	<u>327,654</u>	<u>336,581</u>	<u>178,373</u>	<u>207,130</u>	<u>506,027</u>	<u>543,711</u>
Total net position	<u>\$ 1,402,609</u>	<u>\$ 1,332,548</u>	<u>\$ 8,177,475</u>	<u>\$ 8,407,419</u>	<u>\$ 9,580,084</u>	<u>\$ 9,739,967</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Bladenboro exceeded liabilities and deferred inflows by \$9,580,084 as of June 30, 2014. The Town's net position decreased by \$159,883 for the fiscal year ended June 30, 2014. However, the largest portion \$8,869,696 (93%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bladenboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$204,361 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$506,027 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 93.85%, which is less than the statewide average of 96.61%.
- Continued efforts of staff to reduce operating costs.
- Capital grants for water and sewer improvements, community building, and park improvements.

Town of Bladenboro's Changes in Net Position
Figure 3

	Governmental Funds		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 243,869	\$ 383,934	\$ 466,755	\$ 480,390	\$ 710,624	\$ 864,324
Operating Grants & Contributions	81,305	104,061	-	-	81,305	104,061
Capital Grants & Contributions	164,833	284,500	-	158,985	164,833	443,485
General Revenue						
Property Taxes	480,536	495,683	-	-	480,536	495,683
Other Taxes	10,614	22,248	-	-	10,614	22,248
Grants and contributions not restricted to specific programs	256,159	254,942	-	-	256,159	254,942
Investment Earnings	1,790	2,300	66	125	1,856	2,425
Other	59,219	29,801	14,048	5,840	73,267	35,641
Total Revenues	1,298,325	1,577,469	480,869	645,340	1,779,194	2,222,809
Expenses						
General Government	246,119	233,690	-	-	246,119	233,690
Public Safety	591,027	587,328	-	-	591,027	587,328
Transportation	228,092	238,583	-	-	228,092	238,583
Economic Development	200	5,350	-	-	200	5,350
Environmental Protection	134,649	131,892	-	-	134,649	131,892
Cultural and Recreation	11,576	14,433	-	-	11,576	14,433
Interest on Long-Term Debt	16,601	24,296	-	-	16,601	24,296
Water and Sewer Fund	-	-	710,813	684,532	710,813	684,532
Total Expenses	1,228,264	1,235,572	710,813	684,532	1,939,077	1,920,104
Increase in Net Position before						
Transfers	70,061	341,897	(229,944)	(39,192)	(159,883)	302,705
Transfers	-	-	-	-	-	-
Increase(Decrease) in Net Position	70,061	341,897	(229,944)	(39,192)	(159,883)	302,705
Net Position, beginning	1,332,548	990,651	8,407,419	8,446,611	9,739,967	9,437,262
Net Position, ending	\$ 1,402,609	\$ 1,332,548	\$ 8,177,475	\$ 8,407,419	\$ 9,580,084	\$ 9,739,967

Governmental activities: Governmental activities increased the Town's net position by \$70,061. Key elements of this increase are as follows:

- Tax revenues decreased, however expenses were reduced.

Business-type activities: Business-type activities refer to the Water/Sewer Fund and decreased the Town of Bladenboro's net position by \$229,944. Key elements of this increase are as follows:

- Grant revenues decreased as the capital projects were closed out.
- Operating revenue decreased.
- Operating expenses increased.

Financial Analysis of the Town of Bladenboro's Funds

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

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

The general fund is the chief operating fund of the Town of Bladenboro. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$127,123 while total fund balance reached \$332,460. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents approximately 10 percent of the total General Fund expenditures. Total fund balance represents 27 percent of that same amount.

At June 30, 2014, the governmental funds of the Town reported a combined fund balance of \$526,277 with a 20% decrease over last year. Included in this change in fund balance is a decrease in fund balance in the General Fund.

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

Revenues were more than the budgeted amounts primarily because revenue was budgeted conservatively, as were the expenditures. The Town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Bladenboro'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 \$178,873. The decrease in net position for this fund was \$229,944. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Bladenboro's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Bladenboro's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$9,486,246 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction in progress in the PARTF Park Capital Project and CDBG Community Center Capital Project Funds.

**Town of Bladenboro's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Construction in Progress	\$ 765,056	\$ 528,637	\$ 466,358	\$ 466,358	\$1,231,414	\$ 994,995
Buildings and Other Improvements	397,257	406,433	-	-	397,257	406,433
Plant and Distribution	-	-	7,593,800	7,813,531	7,593,800	7,813,531
Equipment	29,020	47,429	4,580	6,106	33,600	53,535
Vehicles	220,495	273,477	-	-	220,495	273,477
Infrastructure	9,680	10,560	-	-	9,680	10,560
	<u>\$1,421,508</u>	<u>\$1,266,536</u>	<u>\$8,064,738</u>	<u>\$8,285,995</u>	<u>\$9,486,246</u>	<u>\$9,552,531</u>

Additional information on the Town's capital assets can be found in notes beginning on page 29 of this report.

Long-term Debt. As of June 30, 2014, the Town of Bladenboro had no bonded debt outstanding.

Town of Bladenboro's Capital Assets

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$ 254,721	\$ 280,219	\$ 22,583	\$ 33,198	\$ 277,304	\$ 313,417
Capital Leases	296,193	318,220	-	-	296,193	318,220
Revolving Loan	-	-	43,053	52,508	43,053	52,508
	<u>\$ 550,914</u>	<u>\$ 598,439</u>	<u>\$ 65,636</u>	<u>\$ 85,706</u>	<u>\$ 616,550</u>	<u>\$ 684,145</u>

Town of Bladenboro's Outstanding Debt

The Town of Bladenboro's General Fund debt increased by \$34,000 due to a loan from First Citizens for the purchase of a police car. Scheduled debt payments reduced debt by \$81,525. The Town of Bladenboro's Water and Sewer debt decreased by \$20,070 during the past fiscal year, primarily due to the scheduled debt payments.

The Town has a bond rating of 75 (as rated by the North Carolina Municipal Council) which is similar to a BBB+ rating from one of the national bond rating agencies.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town of Bladenboro's legal debt margin is \$6,455,065.

Additional information regarding the Town of Bladenboro's long-term debt can be found in the notes beginning on page 33 of this report.

Economic Factors and Next Year's Budgets and Rates

For the upcoming year, management does not expect any surge of new development within the Town.

Due to Bladenboro's size, it is difficult to show any real increase in jobs within the Town's boundaries. Management reviews the County of Bladen's economic conditions to monitor for effects on the economy of the Town.

The economy appears to be on the upswing with new industries relocating to the industrial park that will increase tax base and water and sewer service revenue.

The property tax rate for the Town is not expected to change for the coming budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Property taxes will remain the same for 2014-2015. General Fund expenditures have been budgeted accordingly with only a small increase from the 2014-2015 Budget. The Town will continue its commitment to reducing the cost of delivering services.

Business - type Activities: The water and sewer rates in the Town are expected to remain constant.

Requests for Information

This report is designed to provide an overview of the Town of Bladenboro's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the attention of Finance Officer, Town of Bladenboro, P.O. Box 455, N.C. 28320. You may also call 910-863-3655.

Basic Financial Statements

Town of Bladenboro, North Carolina
Statement of Net Position
June 30, 2014

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash & cash equivalents	\$ 469,179	\$ 33,251	\$ 502,430
Restricted cash	26,000	55,880	81,880
Taxes receivable (Net)	53,853	-	53,853
Accounts Receivable (Net)	97,736	98,505	196,241
Due from other governments	80,625	-	80,625
Inventories	-	9,376	9,376
Internal balances	(53,941)	53,941	-
Total current assets	673,452	250,953	924,405
Non-current Assets:			
Capital Assets:			
Land and nondepreciable improvements	765,056	466,358	1,231,414
Other capital assets, net of depreciation	656,452	7,598,380	8,254,832
Total capital assets	1,421,508	8,064,738	9,486,246
Total Assets	\$ 2,094,960	\$ 8,315,691	\$ 10,410,651
Liabilities			
Current liabilities			
Accounts Payable and Accrued Liabilities	\$ 93,258	\$ 8,791	\$ 102,049
Customer Deposits	-	55,880	55,880
Accrued Interest	11,423	-	11,423
Current Portion of Long-Term Liabilities	85,504	19,810	105,314
Compensated Absences	18,848	7,909	26,757
Long-term Liabilities:			
Due in More Than One Year	483,254	45,826	529,080
Total liabilities	692,287	138,216	830,503
Deferred Inflows of Resources			
Prepaid Taxes	64	-	64
Total Deferred Inflows of Resources	64	-	64
Net Position			
Net Investments in Capital Assets	870,594	7,999,102	8,869,696
Restricted for:			
Stabilization by state statute	178,361	-	178,361
Transportation	26,000	-	26,000
Unrestricted	327,654	178,373	506,027
Total Net Position	\$ 1,402,609	\$ 8,177,475	\$ 9,580,084

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

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 246,119	\$ 8,288	\$ -	\$ 164,833
Public Safety	591,027	60,723	22,388	-
Transportation	228,092	-	58,917	-
Economic Development	200	-	-	-
Environmental Protection	134,649	174,734	-	-
Cultural and Recreation	11,576	124	-	-
Interest on Long-Term Debt	16,601	-	-	-
Total Governmental Activities	<u>1,228,264</u>	<u>243,869</u>	<u>81,305</u>	<u>164,833</u>
Business-Type Activities:				
Water and Sewer Fund	<u>710,813</u>	<u>466,755</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>710,813</u>	<u>466,755</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,939,077</u>	<u>\$ 710,624</u>	<u>\$ 81,305</u>	<u>\$ 164,833</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues, not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position - Beginning

Net position - Ending

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

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business</u>	
<u>Activities</u>	<u>Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (72,998)	\$ -	\$ (72,998)
(507,916)	-	(507,916)
(169,175)	-	(169,175)
(200)	-	(200)
40,085	-	40,085
(11,452)	-	(11,452)
(16,601)	-	(16,601)
<u>(738,257)</u>	<u>-</u>	<u>(738,257)</u>
-	(244,058)	(244,058)
-	(244,058)	(244,058)
<u>(738,257)</u>	<u>(244,058)</u>	<u>(982,315)</u>
480,536	-	480,536
10,614	-	10,614
256,159	-	256,159
1,790	66	1,856
59,219	14,048	73,267
<u>808,318</u>	<u>14,114</u>	<u>822,432</u>
-	-	-
<u>808,318</u>	<u>14,114</u>	<u>822,432</u>
70,061	(229,944)	(159,883)
1,332,548	8,407,419	9,739,967
<u>\$ 1,402,609</u>	<u>\$ 8,177,475</u>	<u>\$ 9,580,084</u>

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

Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				Total Governmental Funds
	General	Fire Depart Bldg Capital Project	PARTF Project	CDBG Capital Project	
Assets					
Cash and cash equivalents	\$ 261,618	\$ 180,301	\$ 24,825	\$ 2,435	\$ 469,179
Restricted cash	26,000	-	-	-	26,000
Receivables (net):					
Taxes	50,103	-	-	-	50,103
Accounts	47,169	-	-	50,567	97,736
Due from other funds	-	-	-	-	-
Due from other governments	80,625	-	-	-	80,625
Total assets	<u>\$ 465,515</u>	<u>\$ 180,301</u>	<u>\$ 24,825</u>	<u>\$ 53,002</u>	<u>\$ 723,643</u>
Liabilities					
Liabilities:					
Accounts payable & accrued liabilities	\$ 28,947	\$ -	\$ -	\$ 64,311	\$ 93,258
Due to other funds	<u>53,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,941</u>
Total liabilities	<u>82,888</u>	<u>-</u>	<u>-</u>	<u>64,311</u>	<u>147,199</u>
Deferred Inflows of Resources					
Property taxes receivable	50,103	-	-	-	50,103
Prepaid taxes	<u>64</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>
Total deferred inflows of resources	<u>50,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,167</u>
Fund Balances:					
Restricted					
Stabilization by state statute	127,794	-	-	50,567	178,361
Streets	26,000	-	-	-	26,000
Committed					
Public safety	-	180,301	-	-	180,301
Assigned					
Subsequent years' expenditures	51,543	-	-	-	51,543
Unassigned					
Total fund balances	<u>332,460</u>	<u>180,301</u>	<u>24,825</u>	<u>(61,876)</u>	<u>90,072</u>
Total liabilities & deferred inflows of resources and fund balances	<u>\$ 465,515</u>	<u>\$ 180,301</u>	<u>\$ 24,825</u>	<u>\$ 53,002</u>	<u>\$ 723,643</u>

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

Balance Sheet
Governmental Funds
June 30, 2014

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

Total Fund Balance, Governmental Funds		526,277
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	2,814,820	
Accumulated depreciation	<u>(1,393,312)</u>	1,421,508
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		3,750
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		50,103
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(587,606)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(11,423)</u>
Net position of government activities		<u><u>\$ 1,402,609</u></u>

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

Town of Bladenboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

Exhibit 4

	Major Funds				Total Governmental Funds
	General	Fire Depart Bldg Capital Project	PARTF Project	CDBG Capital Project	
Revenues					
Ad valorem taxes	\$ 481,008	\$ -	\$ -	\$ -	\$ 481,008
Other taxes and licenses	10,614	-	-	-	10,614
Unrestricted intergovernmental	256,159	-	-	-	256,159
Restricted intergovernmental	81,305	-	-	164,833	246,138
Permits and fees	763	-	-	-	763
Sales and services	243,106	-	-	-	243,106
Investment earnings	930	860	-	-	1,790
Miscellaneous	59,220	-	-	-	59,220
Total revenues	<u>1,133,105</u>	<u>860</u>	<u>-</u>	<u>164,833</u>	<u>1,298,798</u>
Expenditures					
Current:					
General government	244,703	-	-	179,006	423,709
Public safety	537,900	47,838	-	-	585,738
Transportation	204,381	-	-	-	204,381
Economic development	200	-	-	-	200
Environmental protection	134,649	-	-	-	134,649
Cultural and recreation	11,576	-	9,575	-	21,151
Debt service:					
Principal	81,525	-	-	-	81,525
Interest	18,019	-	-	-	18,019
Total expenditures	<u>1,232,953</u>	<u>47,838</u>	<u>9,575</u>	<u>179,006</u>	<u>1,469,372</u>
Excess of Revenues over (under) expenditures	<u>(99,848)</u>	<u>(46,978)</u>	<u>(9,575)</u>	<u>(14,173)</u>	<u>(170,574)</u>
Other financing sources (uses)					
Transfers From Other Funds	-	-	9,400	2,500	11,900
Transfers To Other Funds	(11,900)	-	-	-	(11,900)
Proceeds From Installment Financing	34,000	-	-	-	34,000
Total Other Financing Sources (Uses)	<u>22,100</u>	<u>-</u>	<u>9,400</u>	<u>2,500</u>	<u>34,000</u>
Net Change in Fund Balance	(77,748)	(46,978)	(175)	(11,673)	(136,574)
Fund Balances, Beginning	410,208	227,279	25,000	364	662,851
Fund Balances, Ending	<u>\$ 332,460</u>	<u>\$ 180,301</u>	<u>\$ 24,825</u>	<u>\$ (11,309)</u>	<u>\$ 526,277</u>

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

Town of Bladenboro, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit 4,
Continued

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

Net changes in fund balances - total governmental funds	\$	(136,574)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	269,421
Depreciation expense for governmental assets		<u>(114,449)</u>
		154,972

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues.		(473)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued		(34,000)
Principal payments on long-term debt		81,525
Decrease in accrued interest payable		<u>1,418</u>
		48,943

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		<u>3,193</u>
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Total changes in net position of governmental activities.	\$	<u><u>70,061</u></u>
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The notes to the financial statements are an integral part of this statement.

General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2014

	General Fund			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 462,576	\$ 474,576	\$ 481,008	\$ 6,432
Other taxes and licenses	14,100	14,100	10,614	(3,486)
Unrestricted intergovernmental	242,000	243,240	256,159	12,919
Restricted intergovernmental	58,390	80,778	81,305	527
Permits and Fees	750	750	763	13
Sales and services	243,438	249,608	243,106	(6,502)
Investment earnings	2,000	2,000	930	(1,070)
Miscellaneous	28,000	67,615	59,220	(8,395)
Total revenues	<u>1,051,254</u>	<u>1,132,667</u>	<u>1,133,105</u>	<u>438</u>
Expenditures:				
Current:				
General government	227,116	246,563	244,703	1,860
Public safety	459,363	546,379	537,900	8,479
Transportation	211,084	212,584	204,381	8,203
Economic development	200	200	200	-
Environmental protection	134,017	134,667	134,649	18
Cultural and recreation	13,780	12,270	11,576	694
Debt service	93,375	99,545	99,544	1
Total expenditures	<u>1,138,935</u>	<u>1,252,208</u>	<u>1,232,953</u>	<u>19,255</u>
Revenues over (under) expenditures	<u>(87,681)</u>	<u>(119,541)</u>	<u>(99,848)</u>	<u>19,693</u>
Other financing sources (uses):				
Transfer to Other Funds	-	(11,900)	(11,900)	-
Proceeds From Installment Financing	-	34,000	34,000	-
Total other financing sources (uses)	<u>-</u>	<u>22,100</u>	<u>22,100</u>	<u>-</u>
Fund Balance Appropriated	<u>87,681</u>	<u>97,441</u>	<u>-</u>	<u>(97,441)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(77,748)</u>	<u>\$ (77,748)</u>
Fund balances, beginning			<u>410,208</u>	
Fund balances, ending			<u>\$ 332,460</u>	

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

Town of Bladenboro, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

Exhibit 6

		Major Enterprise <u>Fund</u> Water and <u>Sewer Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$	33,251
Restricted cash		55,880
Accounts receivable (net) - billed		80,984
Accounts receivable (net) - unbilled		17,521
Due from other fund		53,941
Inventories		<u>9,376</u>
Total		<u>250,953</u>
Non-Current Assets:		
Capital Assets:		
Land and other non-depreciable assets		466,358
Other capital assets, net of depreciation		<u>7,598,380</u>
Total capital assets		<u>8,064,738</u>
Total assets	\$	<u><u>8,315,691</u></u>
Liabilities		
Current liabilities:		
Accounts payable and Accrued Liabilities	\$	8,791
Customer deposits		55,880
Compensated Absences		7,909
Current Portion of Long-Term Liabilities		<u>19,810</u>
Total		<u>92,390</u>
Noncurrent liabilities:		
Notes Payable		45,826
Compensated Absences		<u>-</u>
Total		<u>45,826</u>
Total liabilities		<u>138,216</u>
Net position		
Net investments in capital assets		7,999,102
Unrestricted		<u>178,373</u>
Total net position	\$	<u><u>8,177,475</u></u>

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

Town of Bladenboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

Exhibit 7

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for Services	\$ 462,993
Other Operating Revenues	3,762
Total	<u>466,755</u>
Operating Expenses:	
Administration	103,863
Water Operations	142,224
Sewer Operations	89,970
Waste Collections and Treatment	153,164
Depreciation	<u>221,258</u>
Total	<u>710,479</u>
Operating income	<u>(243,724)</u>
Nonoperating revenues (expenses):	
Investment earnings	66
Gain of Sale of Asset	1,308
Miscellaneous Revenue	12,740
Interest and fees	<u>(334)</u>
Total nonoperating revenues (expenses)	<u>13,780</u>
Income (loss) before contributions and transfers	(229,944)
Transfer to Other Fund	-
Capital Contributions - Grant	<u>-</u>
Change in net position	<u>(229,944)</u>
Net position, beginning	<u>8,407,419</u>
Net position, ending	<u>\$ 8,177,475</u>

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

Town of Bladenboro, North Carolina
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2014

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 467,862
Cash paid for goods and services	(340,728)
Cash paid to employees for services	(164,557)
Customer deposits received	(910)
Other operating revenues	3,762
Net cash provided by (used) operating activities	(34,571)
Cash flows from noncapital financing activities:	
Other Nonoperating Income	12,740
Operating transfers in(out)	-
Net cash provided by (used) noncapital financing activities:	12,740
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	-
Proceeds from Sale of Assets	1,308
Debt reduction	(20,070)
Proceeds from Notes Payable	-
Interest paid	(334)
Capital Contributions - Grants	-
Net cash provided by (used) capital and related financing activities	(19,096)
Cash flows from investing activities:	
Interest on investments	65
Net decrease in cash and cash equivalents	(40,862)
Cash and cash equivalents:	
Beginning of year, July 1	129,993
End of year, June 30	\$ 89,131
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (243,724)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	221,258
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,869
(Increase) decrease in inventory	(1,000)
Increase (decrease) in accounts payable and accrued liabilities	(11,912)
Increase (decrease) in accrued vacation	(3,152)
Increase (decrease) in customer deposits	(910)
Total adjustments	209,153
Net cash provided by (used) operating activities	\$ (34,571)

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

TOWN OF BLADENBORO

BLADENBORO, NORTH CAROLINA

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TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Bladenboro is a municipal corporation, which is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major government funds:

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

Fire Department Building Capital Project Fund - This fund is for the construction of a fire department building.

PARTF Park Capital Project Fund – This fund is used to account for the construction of a new park and facilities.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

CDBG Community Building Capital Project Fund - This fund is for the grant obtained to construct the Town's community center.

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property 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.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized by the budget ordinance to transfer appropriations between departments within a fund; however, any revisions that alter total expenditures of any fund 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 the time until annual ordinance can be adopted.

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

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Town of Bladenboro Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ <u>26,000</u>
Total Governmental Activities	\$ <u><u>26,000</u></u>
Business Type Activities	
Water and Sewer Fund	
Customer Deposits	\$ <u>55,880</u>
Total Business Type Activities	\$ <u><u>55,880</u></u>
Total Restricted Cash	\$ <u><u><u>81,880</u></u></u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town'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.

Inventory

The inventory of the Town are valued at cost (first-in, first-out), which approximates market. The inventory of the Town's Enterprise Fund consist of materials and supplies held for subsequent use. The cost of this inventory is expensed when used rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land, \$5,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	45
Improvements	25
Motor Vehicles	5
Equipment	5-10
Plant Assets	50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have an item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meet the criterion for this category - property taxes receivable.

Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

Compensated Absences

The vacation policy of the Town provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's governments-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental-wide or proprietary funds.

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the 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 government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Balance

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There were no non-spendable items for the Town.

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

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

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

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

Committed for Public Safety – portion of fund balance assigned for the construction of the Fire Department new building.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation and any modifications to the original budget.

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

The Town of Bladenboro adheres to the North Carolina Local Government Commission’s recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance does not go below eight percent of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

NOTE 2: Stewardship, Compliance and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with N.C. General Statutes

None.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Deficit in Fund Balance or Net Position of Individual Funds

The CDBG Community Center Capital Project currently has a deficit fund balance, this will be corrected in the subsequent year as the grant is completed and all funding sources are received.

NOTE 3: Detail Notes on All Funds

A. Assets

Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent(s) in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for the under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$584,310 and a bank balance of \$598,429. Of the bank balance, \$598,429 was covered by federal depository insurance and the remaining \$0 was covered by collateral and held under the Pooling Method.

Investments

The Town did not have any investments at June 30, 2014.

Receivables – Allowances for Doubtful Accounts

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

Fund	6/30/2014
General Fund	
Taxes Receivable	\$ 19,296
Accounts Receivable	-
Total	19,296
Enterprise Funds:	33,523
Total	\$ 52,819

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 242,799	\$ -	\$ -	\$ 242,799
Construction in Progress	<u>285,838</u>	<u>236,419</u>	<u>-</u>	<u>522,257</u>
Total Capital Assets not Being Depreciated:	<u>528,637</u>	<u>236,419</u>	<u>-</u>	<u>765,056</u>
Capital Assets Being Depreciated:				
Buildings	465,906	-	-	465,906
Other Improvements	21,456	-	-	21,456
Equipment	251,429	-	-	251,429
Vehicles	1,255,971	33,002	-	1,288,973
Infrastructure	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Total Capital Assets Being Depreciated:	<u>2,016,762</u>	<u>33,002</u>	<u>-</u>	<u>2,049,764</u>
Less Accumulated Depreciation for:				
Buildings	66,636	8,318	-	74,954
Other Improvements	14,293	858	-	15,151
Equipment	204,000	18,409	-	222,409
Vehicles	982,494	85,984	-	1,068,478
Infrastructure	<u>11,440</u>	<u>880</u>	<u>-</u>	<u>12,320</u>
Total Accumulated Depreciation	<u>1,278,863</u>	<u>\$ 114,449</u>	<u>\$ -</u>	<u>1,393,312</u>
Total Capital Assets Being Depreciated, net	<u>737,899</u>			<u>656,452</u>
Governmental Activity Capital Assets, net	<u>\$ 1,266,536</u>			<u>\$ 1,421,508</u>

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

General Government	\$ 8,048
Public Safety	83,187
Transportation	23,214
Environmental Protection	-
Cultural and Recreational	-
Total Depreciation Expense	<u>\$ 114,449</u>

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Water and Sewer Fund				
Capital Assets not Being Depreciated:				
Land	\$ 466,358	\$ -	\$ -	\$ 466,358
Construction in Progress	-	-	-	-
Total Capital Assets not Being Depreciated:	<u>466,358</u>	<u>-</u>	<u>-</u>	<u>466,358</u>
Capital Assets Being Depreciated:				
Plant and Distribution	10,902,937	-	-	10,902,937
Equipment	110,460	-	-	110,460
Vehicles	45,916	-	-	45,916
Total Capital Assets Being Depreciated:	<u>11,059,313</u>	<u>-</u>	<u>-</u>	<u>11,059,313</u>
Less Accumulated Depreciation for:				
Plant and Distribution	3,089,406	219,731	-	3,309,137
Equipment	104,354	1,526	-	105,880
Vehicles	45,916	-	-	45,916
Total Accumulated Depreciation	<u>3,239,676</u>	<u>\$ 221,257</u>	<u>\$ -</u>	<u>3,460,933</u>
Total Capital Assets Being Depreciated, net	<u>7,819,637</u>			<u>7,598,380</u>
Water and Sewer Capital Assets, Net	<u>\$ 8,285,995</u>			<u>\$ 8,064,738</u>

Construction Commitments

The government has active construction projects as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
CDBG Community Center	\$ 232,642	\$ 451,364
Total	<u>\$ 232,642</u>	<u>\$ 451,364</u>

B. Liabilities

Pension Plan Obligations

1. Local Governmental Employees' Retirement System

Plan Description - The Town of Bladenboro contributes to the statewide Local Government Employees' Retirement System (LGERs), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERs provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERs. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement is 12.78% and 12.81% respectively of annual covered payroll. The contribution requirements of members and of The Town of Bladenboro are established and may be amended by the North Carolina General Assembly. The Town's contributions to

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

LGERS for the years ended June 30, 2014, 2013, and 2012 were \$65,072 \$62,602, and \$59,419, respectively. The contributions made by the Town equaled the required contributions for each year.

2. Law Enforcement Officers Special Separation Allowance

Plan Description - The Town of Bladenboro administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has made no contributions to this plan. A separate report was not issued for the plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	6
Total	8

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts on a pay as you go basis through appropriations made in the general fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. \$22,221 in contributions were paid during the year to both employees as part of the pay as you go.

The Town has not obtained an actuarial valuation, which would be necessary in order to determine the unfunded pension benefit obligation. Therefore, no liability has been included set up. Any amounts which may eventually become due will be an expense in the period they become due and are not considered material.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$12,993, which consisted of \$11,173 from the Town and \$1,820 from the law enforcement officers. The Town also provides for all other employees the same plan with a 4.5% Town contribution rate. Contributions for the year ended June 30, 2014 were \$18,603, which consisted of \$12,973 from the Town and \$5,630 from the employees.

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

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

Funding Policy – Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

3. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid Taxes	\$ -0-	\$ 64
Taxes Receivables (General Fund), less penalties	50,103	-0-
Total	\$ 50,103	\$ 64

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

In accordance with G.S. 159-29, Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety. The Town has a \$50,000 fidelity bond on the finance officer, \$10,000 on the tax collector, and a blanket bond for \$10,000 on other employees. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town does not carry any flood insurance because only 2 of its buildings fall in a flood zone. These 2 buildings fall into an area that has been mapped and designated as an "AE" zone by the Federal Emergency Management Agency. The remainder of the Town is located in an area mapped as an "X" zone, which is an area which is not prone to flooding.

5. Claims, Judgments and Contingent Liabilities

There are no pending monetary suits against the Town as of June 30, 2014.

6. Long-Term Obligations

Capital Leases

The Town has entered into agreements to lease certain equipment and buildings. Those leases which pertain to general fixed assets are in the general long-term debt account group and those which pertain to an enterprise fund are in the enterprise fund. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital Leases at June 30, 2014, were as follows:

General Fund

1. Home Trust Bank agreement dated December 2000 for lease purchase of a fire truck for the fire department, payable in 20 annual payments of \$16,039 including interest at 6.61%. Outstanding balance at year-end was \$84,611. Maturing date is October 2020.
2. Home Trust Bank agreement dated June 2002 for lease purchase of a fire truck for the fire department, payable in 15 annual payments of \$21,665 including interest at 5.85%. Outstanding balance at year-end was \$89,413. Maturing date is June 2018.
3. Bladen County 2009 to finance the purchase of the VIPER radio system. The financing contract requires 10 annual payments of \$3,504 including interest at 3.87%. Outstanding balance at year-end was \$12,964. Maturing date is May 2018.
4. First Citizens Bank agreement dated December 2012 for lease purchase of a 2006 Ford F650 Dump truck payable in 5 annual payments of \$8,453 including interest at 2.65%. Outstanding balance at year end was \$31,685. Maturity date is December 2017.
5. First Citizens Bank agreement dated January 2013 for lease purchase of a 2009 Ford F650 Dump truck payable in 5 annual payments of \$11,609 including interest at 2.65%. Outstanding balance at year end was \$43,520. Maturity date is January 2018.
6. First Citizens Bank agreement dated November 14, 2013 for lease purchase of a 2014 Dodge Charger payable in 3 annual payments of \$11,775 including interest at 1.94%. Outstanding balance at year end was \$34,000. Maturity date is November 2016.

Under the terms of all agreements, title passes to the Town at the end of the lease term.

For The Town of Bladenboro, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending	Governmental Activities	
	30-Jun	Principal
2015	\$ 58,794	\$ 14,253
2016	61,240	11,806
2017	63,809	9,238
2018	54,731	6,541
2019	31,481	3,998
2020-2024	26,138	1,926
2025-2029	-	-
Total	\$ 296,193	\$ 47,762

Notes Payable

General Fund

1. First Citizens Bank agreement dated June 6, 2011 for financing street renovations, payable in five annual payments of \$25,000 including interest at 3.70%. Outstanding balance at year-end was \$70,031. Maturing date is June 2016.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

2. USDA agreement dated December 29, 2010 for the financing of the construction of the Town hall building, payable in 30 annual payments of \$11,218 including interest at 3.75%. Outstanding balance at year end was \$184,690. Maturity is December 29, 2040.

Water and Sewer Fund

3. First Citizens Bank agreement dated August 2005 for purchase of sewer lift station, payable in 10 annual payments of \$5,276 including interest at 4.50%. Outstanding balance at year-end was \$9,893. Maturing date is August 2015.
4. First Citizens Bank agreement dated October 25, 2010 for financing the match for a grant, payable in five annual payments of \$6,727 including interest at 3.94%. Outstanding balance at year-end was \$12,690. Maturing date is October 2015.

For The Town of Bladenboro, the future minimum payments as of June 30, 2014 are as follows:

Year Ending 30-Jun	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 26,710	\$ 9,508	\$ 11,059	\$ 945
2016	27,701	8,517	11,524	482
2017	28,984	7,490	-	-
2018	4,793	6,425	-	-
2019	4,973	6,245	-	-
2020-2024	27,806	28,282	-	-
2025-2029	33,425	22,663	-	-
2030-2034	40,181	15,908	-	-
2035-2039	48,301	9,533	-	-
2040-2044	11,847	444	-	-
Total	\$ 254,721	\$ 115,015	\$ 22,583	\$ 1,427

North Carolina Revolving Loan Fund

Dated November 1998, the Town secured a 20-year revolving loan from the State of North Carolina in the amount of \$175,026 to complete the Ashe Street Water and Sewer Project. The loan has a fixed rate of 2.68% with the principal payments beginning in November 1999. 20 annual payments of \$21,342 including interest are currently being paid. Maturity date is November 2019. The outstanding balance is \$43,053.

For The Town of Bladenboro, the future minimum payments as of June 30, 2014 are as follows:

Year Ending 30-Jun	Business Type Activities	
	Principal	Interest
2015	\$ 8,751	\$ 1,173
2016	8,751	938
2017	8,751	704
2018	8,751	469
2019	8,048	234
2020-2024	-	-
2025-2029	-	-
Total	\$ 43,053	\$ 3,518

At June 30, 2014, Town of Bladenboro had a legal debt margin of \$6,455,065.

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Changes in General Long-Term Debt

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Notes Payable	\$ 280,219	\$ -	\$ (25,498)	\$ 254,721	\$ 26,710
Capital Leases	318,220	34,000	(56,027)	296,193	58,794
Compensated Absences	39,885	18,848	(22,041)	36,692	18,848
Total Governmental Activities	\$ 638,324	\$ 52,848	\$ (103,566)	\$ 587,606	\$ 104,352
 Business-Type Activities:					
Water and Sewer Fund					
Revolving Loan	\$ 52,508	\$ -	\$ (9,455)	\$ 43,053	\$ 8,751
Notes Payable	33,198	-	(10,615)	22,583	11,059
Compensated Absences	11,061	9,193	(12,345)	7,909	7,909
Total Water and Sewer Fund	\$ 96,767	\$ 9,193	\$ (32,415)	\$ 73,545	\$ 27,719

Compensated absences for governmental activities have typically been liquidated in the General Fund.

7. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014, consist of the following:

General Fund owes Water and Sewer Fund	\$	53,941
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The amount between the General Fund and Water/Sewer Fund is the use of a consolidated checking account and funds were used and will repaid at the board's discretion.

	Transfers	
	From	To
General Fund	\$ 11,900	\$ -
CDBG Community Center Capital Project (Local Match)	-	2,500
PARTF Parks Capital Project (Local Match)	-	9,400
Total operating transfers - other funds	\$ 11,900	\$ 11,900

TOWN OF BLADENBORO, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

8. Fund Balance

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

Total fund balance-General Fund	\$ 332,460
Less:	
Stabilization by State Statute	127,794
Streets - Powell Bill	26,000
Appropriated Fund Balance in 2014 Budget	51,543
Remaining Fund Balance	127,123

The Town of Bladenboro adheres to the North Carolina Local Government Commission's recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance does not go below eight percent of budgeted expenditures.

NOTE 4: Jointly Governed Organization

The Town, along with several other counties and municipalities participate in the Lumber River Council of Governments (COG). 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 Town paid \$140 to the Council during the fiscal year ended June 30, 2014.

NOTE 5: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2014, the date which the financial statements were available for issue.

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

Town of Bladenboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 475,045	\$
Penalties and interest		5,963	
Total	<u>474,576</u>	<u>481,008</u>	<u>6,432</u>
Other taxes and licenses:			
Cablevision Franchise Fee		2,588	
Motor Vehicle Tax		4,337	
Privilege licenses		3,689	
Total	<u>14,100</u>	<u>10,614</u>	<u>(3,486)</u>
Unrestricted intergovernmental:			
Local option sales taxes		164,669	
Utility franchise tax		55,982	
Video Sales Tax		13,841	
Solid Waste Disposal Tax		1,069	
Telecom Sales Tax		20,598	
Total	<u>243,240</u>	<u>256,159</u>	<u>12,919</u>
Restricted intergovernmental:			
Powell Bill Allocation		58,917	
Grants		22,388	
Total	<u>80,778</u>	<u>81,305</u>	<u>527</u>
Permits & Fees:			
Planning and zoning fees		600	
Court fees		163	
Total	<u>750</u>	<u>763</u>	<u>13</u>
Sales and services:			
Sanitation Fees		174,734	
Fire District Contract		60,723	
Park Revenue		124	
Administration Fee		6,170	
Rent		1,355	
Total Sales and Services	<u>249,608</u>	<u>243,106</u>	<u>(6,502)</u>
Investment earnings:			
Powell Bill		25	
Regular		905	
Total Other Revenues	<u>2,000</u>	<u>930</u>	<u>(1,070)</u>

Town of Bladenboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Other Revenues:			
Police Christmas		3,614	
Sale of Fixed Assets		27,489	
Donations		-	
Miscellaneous		28,117	
Total Other Revenues	<u>67,615</u>	<u>59,220</u>	<u>(8,395)</u>
Total Revenues	<u>1,132,667</u>	<u>1,133,105</u>	<u>438</u>
General government:			
Governing body:			
Salaries		22,062	
Professional Services		19,522	
Employee Benefits		4,186	
Insurance		3,386	
Capital outlay		-	
Miscellaneous		8,747	
Total	<u>57,283</u>	<u>57,903</u>	<u>(620)</u>
Administration:			
Salaries		71,124	
Employee Benefits		24,351	
Operating Expenses		28,522	
Capital outlay		-	
Total	<u>126,431</u>	<u>123,997</u>	<u>2,434</u>
Elections:			
Operating Expenses		3,553	
Total	<u>3,554</u>	<u>3,553</u>	<u>1</u>
Public Buildings:			
Utilities		23,618	
Maintenance		11,386	
Departmental Supplies		315	
Other operating expenditures		1,147	
Insurance		22,784	
Capital Outlay		-	
Total	<u>59,295</u>	<u>59,250</u>	<u>45</u>
Total General Government	<u>246,563</u>	<u>244,703</u>	<u>1,860</u>

Town of Bladenboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		233,131	
Special separation allowance		22,221	
Employee Benefits		94,329	
Vehicle maintenance		38,146	
Other operating expenditures		47,319	
Capital outlay		33,002	
Total	469,041	468,148	893
Fire:			
Employee benefits		4,560	
Vehicle maintenance		14,843	
Fireman's Relief Fund		2,472	
Other operating expenditures		47,877	
Capital outlay		-	
Total	77,338	69,752	7,586
Total Public Safety	546,379	537,900	8,479
Transportation:			
Streets and highways:			
Salaries		67,613	
Contracted Services		1,446	
Employee Benefits		30,066	
Vehicle maintenance		13,301	
Grant Expenditure-Capital Outlay		-	
Operating Expenses		58,562	
Capital Outlay			
Total Streets and Highways	175,463	170,988	4,475
Powell Bill:			
Salaries		13,228	
Employee Benefits		5,901	
Operating Expenses		14,264	
Total Powell Bill	37,121	33,393	3,728
Total Transportation	212,584	204,381	8,203
Economic Development:			
Donations		200	
Industrial Development		-	
Miscellaneous		-	
Total Economic Development	200	200	-

Town of Bladenboro, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Environmental Protection:			
Solid Waste:			
Contracted Services		125,211	
Operating Expenses		9,438	
Total Environmental Protection	<u>134,667</u>	<u>134,649</u>	<u>18</u>
Culture and recreation:			
Recreation Department:			
Operating Expenses		3,057	
Capital Outlay		-	
Total Recreation Department	<u>3,660</u>	<u>3,057</u>	<u>603</u>
Library:			
Contracted Services		7,000	
Operating Expenses		289	
Capital Outlay		-	
Total Library	<u>7,380</u>	<u>7,289</u>	<u>91</u>
Community Events	<u>1,230</u>	<u>1,230</u>	-
Total Culture and Recreation	<u>12,270</u>	<u>11,576</u>	<u>694</u>
Debt service:			
Principal retirement		81,525	
Interest and fees		18,019	
Total Debt Service	<u>99,545</u>	<u>99,544</u>	<u>1</u>
Total Expenditures	<u>1,252,208</u>	<u>1,232,953</u>	<u>19,255</u>
Revenues over (under) expenditures	<u>(119,541)</u>	<u>(99,848)</u>	<u>19,693</u>
Other Financing Sources (Uses):			
Transfers To/From Other Funds:			
To CDBG Community Center	(2,500)	(2,500)	-
To PARTF Park Project	(9,400)	(9,400)	-
Proceeds from Installment Financing	<u>34,000</u>	<u>34,000</u>	-
Total Other Financing Sources(Uses)	<u>22,100</u>	<u>22,100</u>	-
Fund Balance Appropriated	97,441	-	(97,441)
Net Change in Fund Balance	<u>\$ -</u>	(77,748)	<u>\$ (77,748)</u>
Fund Balances, Beginning		410,208	
Fund Balances, Ending		<u>\$ 332,460</u>	

Town of Bladenboro, North Carolina
Fire Department Building Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Actual				Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year	Total to Date	
Revenues:					
Bladen County Fire District Donation	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -
Interest Income	-	5,731	860	6,591	6,591
Total Revenue	<u>300,000</u>	<u>305,731</u>	<u>860</u>	<u>306,591</u>	<u>6,591</u>
Expenditures:					
Public Safety					
Capital Outlay	250,000	33,390	47,838	81,228	168,772
Capital Outlay-Well	50,000	45,062	-	45,062	4,938
Total Public Safety	<u>300,000</u>	<u>78,452</u>	<u>47,838</u>	<u>126,290</u>	<u>173,710</u>
Revenues and Other Sources					
Over Other Uses	\$ <u>-</u>	<u>227,279</u>	(46,978)	<u>180,301</u>	\$ <u>180,301</u>
Fund Balances, beginning					
Fund Balances, ending			<u>227,279</u>		
			\$ <u>180,301</u>		

Town of Bladenboro, North Carolina
PARTF Park Capital Project
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	Actual			Variance Positive (Negative)	
	Project Author- ization	Prior Years	Current Year		Total to Date
Revenues:					
Restricted Intergovernmental					
PARTF	\$ 213,000	\$ 15,000	\$ -	\$ 15,000	\$ (198,000)
Total Restricted Intergovernmental	<u>213,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>(198,000)</u>
Other Income					
Land Donation	168,000	168,000	-	168,000	-
Kate B Reynolds Trust Grant	10,000	10,000	-	10,000	-
Total Other Income	<u>178,000</u>	<u>178,000</u>	<u>-</u>	<u>178,000</u>	<u>-</u>
Total Revenues	<u>391,000</u>	<u>193,000</u>	<u>-</u>	<u>193,000</u>	<u>(198,000)</u>
Expenditures:					
Cultural and Recreational					
Capital Outlay	436,000	198,812	9,575	208,387	227,613
Total Expenditures	<u>436,000</u>	<u>198,812</u>	<u>9,575</u>	<u>208,387</u>	<u>227,613</u>
Revenue over (under) Expenditures	<u>(45,000)</u>	<u>(5,812)</u>	<u>(9,575)</u>	<u>(15,387)</u>	<u>29,613</u>
Other Financing Sources (Uses)					
Transfers To/From Other Funds:					
From General Fund	45,000	30,812	9,400	40,212	(4,788)
Total Other Financing Sources(Uses)	<u>45,000</u>	<u>30,812</u>	<u>9,400</u>	<u>40,212</u>	<u>(4,788)</u>
Excess of Revenue and Other Sources over (Under) Expenditures	\$ <u>-</u>	\$ <u>25,000</u>	(175)	\$ <u>24,825</u>	\$ <u>24,825</u>
Fund Balances, beginning			<u>25,000</u>		
Fund Balances, ending			\$ <u>24,825</u>		

Town of Bladenboro, North Carolina
CDBG Community Center Capital Project
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	Actual				Variance Positive (Negative)
	Project Author- ization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted Intergovernmental					
CDBG	\$ 500,000	\$ 51,500	\$ 164,833	\$ 216,333	\$ (283,667)
Total Revenues	<u>500,000</u>	<u>51,500</u>	<u>164,833</u>	<u>216,333</u>	<u>(283,667)</u>
Expenditures:					
Capital Outlay Community Center	<u>505,000</u>	<u>53,636</u>	<u>179,006</u>	<u>232,642</u>	<u>272,358</u>
Total Expenditures	<u>505,000</u>	<u>53,636</u>	<u>179,006</u>	<u>232,642</u>	<u>272,358</u>
Revenue over (under) Expenditures	<u>(5,000)</u>	<u>(2,136)</u>	<u>(14,173)</u>	<u>(16,309)</u>	<u>(11,309)</u>
Other Financing Sources (Uses)					
Transfers To/From Other Funds:					
From General Fund	<u>5,000</u>	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>	<u>-</u>
Total Other Financing Sources(Uses)	<u>5,000</u>	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>	<u>-</u>
Excess of Revenue and Other Sources over (Under) Expenditures	\$ <u>-</u>	\$ <u>364</u>	(11,673)	\$ <u>(11,309)</u>	\$ <u>(11,309)</u>
Fund Balances, beginning			<u>364</u>		
Fund Balances, ending			\$ <u>(11,309)</u>		

Town of Bladenboro, North Carolina
Water and Sewer Fund
Schedule of Revenues Expenditures, and Changes in Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water and Sewer Sales	\$	\$ 434,983	\$
Taps and Connection Fees		28,010	
Miscellaneous		3,762	
Total	<u>499,519</u>	<u>466,755</u>	<u>(32,764)</u>
Nonoperating Revenues:			
Gain on Sale of Assets		1,308	
Farm Lease		12,740	
Interest Earned on Investment		66	
Total	<u>21,148</u>	<u>14,114</u>	<u>(7,034)</u>
Total revenues	<u>520,667</u>	<u>480,869</u>	<u>(39,798)</u>
Expenditures:			
Administration:			
Salaries		61,245	
Employee Benefits		21,812	
Operating Expenses		20,806	
Total	<u>106,593</u>	<u>103,863</u>	<u>2,730</u>
Water Department:			
Salaries		43,819	
Employee Benefits		14,925	
System Repairs		-	
Contract Services		23,969	
Departmental Supplies		21,715	
Operating Expenses		37,796	
Total	<u>150,370</u>	<u>142,224</u>	<u>8,146</u>
Sewer Department:			
Salaries		31,432	
Employee Benefits		14,045	
System Repairs		-	
Departmental Supplies		13,017	
Operating Expenses		31,476	
Total	<u>90,350</u>	<u>89,970</u>	<u>380</u>
Wastewater Treatment:			
Salaries		24,909	
Employee Benefits		11,951	
System Repairs		11,817	
Departmental Supplies		15,064	
Contract Services		42,925	
Operating Expenses		46,498	
Total	<u>159,691</u>	<u>153,164</u>	<u>6,527</u>

Town of Bladenboro, North Carolina
Water and Sewer Fund
Schedule of Revenues Expenditures, and Changes in Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Total General Expenses	507,004	489,221	17,783
Debt service:			
Interest and fees		334	
Principal retirement		20,070	
Total debt service	22,163	20,404	1,759
Capital outlay:			
Administration		-	
Water		-	
Sewer		-	
Wastewater Treatment		-	
Total capital outlay	-	-	-
Total expenditures	529,167	509,625	19,542
Capital Contributions - Grants	-	-	-
Fund Balance Appropriated	8,500	-	(8,500)
Revenues and other sources over expenditures and other uses	\$ -	\$ (28,756)	\$ (28,756)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ <u>(28,756)</u>	
Reconciling items:			
Principal retirement		20,070	
Capital outlay		-	
Capital Contributions-Capital Projects		-	
Transfers out-Capital Projects		-	
Transfers to General Fund-Capital Projects		-	
Depreciation		(221,258)	
Total reconciling items		(201,188)	
Changes in Net Position		\$ (229,944)	

TOWN OF BLADENBORO

BLADENBORO, NORTH CAROLINA

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OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Bladenboro, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013 - 2014	\$ -	\$ 488,506	\$ 458,477	\$ 30,029
2012 - 2013	29,148	-	17,279	11,869
2011 - 2012	9,870	-	756	9,114
2010 - 2011	4,393	-	672	3,721
2009 - 2010	3,412	-	439	2,973
2008 - 2009	4,659	-	416	4,243
2007 - 2008	2,446	-	157	2,289
2006 - 2007	2,466	-	310	2,156
2005 - 2006	1,702	-	211	1,491
2004 - 2005	1,579	-	65	1,514
	<u>\$ 59,675</u>	<u>\$ 488,506</u>	<u>\$ 478,782</u>	<u>\$ 69,399</u>
			Less Allowance for Doubtful Collections	<u>19,296</u>
				<u>\$ 50,103</u>
	<u>Reconcilement with revenues:</u>			
	Ad valorem taxes - General Fund			\$ 481,008
	Reconciling items:			
	Interest collected			(5,963)
	Releases and Refunds			<u>3,737</u>
	Subtotal			<u>(2,226)</u>
	Total collections and credits			<u>\$ 478,782</u>

Town of Bladenboro, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2014

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 86,638,772	\$ 0.57	\$ 493,841	\$ 415,251	\$ 78,590
Total	<u>86,638,772</u>		<u>493,841</u>	<u>415,251</u>	<u>78,590</u>
Discoveries:					
Current year taxes	-	0.57	-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:	(935,965)	0.57	(5,335)	(3,955)	(1,380)
Total property valuation	<u>\$ 87,574,737</u>				
Net levy			488,506	411,296	77,210
Uncollected taxes at June 30, 2014			<u>30,029</u>	<u>21,878</u>	<u>8,151</u>
Current year's taxes collected			<u>\$ 458,477</u>	<u>\$ 389,418</u>	<u>\$ 69,059</u>
Current levy collection percentage			<u>93.85%</u>	<u>94.68%</u>	<u>89.44%</u>

TOWN OF BLADENBORO

BLADENBORO, NORTH CAROLINA

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COMPLIANCE SECTION



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R. Bryon Scott, CPA
Gregory S. Adams, CPA
Alan W. Thompson, CPA

Independent Auditors' Report

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and
Members of the Town Council
Town of Bladenboro, 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, business-type activities, each major fund and the aggregated remaining fund information of the Town of Bladenboro, North Carolina, as of and for the year ended June 30, 2014, which collectively comprises the Town of Bladenboro's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2014-1.

Compliance and Other Matters

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

Town of Bladenboro's Response to Finding

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

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Elizabethtown, North Carolina
October 24, 2014

Town of Bladenboro, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses? X yes none reported

Noncompliance material to financial
statements noted yes X no

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2014 – 1 Segregation of Duties

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

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

Effect: Transactions could be mishandled.

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

Recommendation: The duties should be separated as much as possible. Alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: Management is aware of the deficiency, but the cost-benefit analysis indicates that hiring more personnel to mitigate the issue is not feasible. Management will request board members' continued involvement by providing additional oversight.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Bladenboro, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2014 – 1 Segregation of Duties

Name of contact person:	Rufus Duckworth, Mayor
Corrective Action:	The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.
Proposed Completion Date:	The Board will implement the above procedure immediately.

TOWN OF BLADENBORO

BLADENBORO, NORTH CAROLINA

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